METROPOLITAN BOROUGH OF ROTHERHAM

STATEMENT OF ACCOUNTS 2010/11

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STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Strategic Director of Finance;
- to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets;
- to approve the Statement of Accounts.

The Strategic Director of Finance's Responsibilities

The Strategic Director of Finance is responsible for the preparation of the Council's Statement of Accounts, consistent with the CIPFA/LASAAC Code of Practice on Local Authority Accounting (the Code).

In preparing this Statement of Accounts, the Strategic Director of Finance has:

- selected suitable accounting policies and then applied them consistently,
- made judgements and estimates that were reasonable and prudent,
- complied with the Code of Practice.

The Strategic Director of Finance has also:

- kept proper accounting records which were up to date,
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Strategic Director of Finance's Certificate

This Statement of Accounts is that upon which the Auditor should enter his certificate and opinion. It presents a true and fair view of the financial position of the Authority at 31 March 2011 and its income and expenditure for the year then ended.

Signed..

A A Bedford, BA(Hons), CPFA

Date 30/6/11

FOREWORD BY THE STRATEGIC DIRECTOR OF FINANCE

1 Introduction

The Statement of Accounts summarises the Authority's financial performance during the year ended 31 March 2011 and shows its overall financial position at the end of that period.

The Statement is prepared in accordance with the Code of Practice on Local Authority Accounting (the Code), as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code is based on approved accounting standards issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC), except where these are inconsistent with specific statutory requirements.

A major change has taken place in 2010/11 in the basis of accounting as a result of the adoption of International Financial Reporting Standards (IFRS) in local authority accounting. This has had an effect on the layout and format of the Statement of Accounts and adjustments to some of the figures reported previously in last year's 2009/10 published accounts. The effect of the transition to IFRS on the Authority's balance sheet at 31 March 2010 is set out in section 2 on page 4 of this Foreword.

The principle bases, conventions, rules and practices that specify how the effects of transactions and other events are reflected in the financial statements of the Authority as set out in the section of this report headed 'Statement of Accounting Policies'. These accounting policies have been fully revised to take account of the transition to IFRS. (Page 130).

The Statement of Accounts comprises:

- **Statement of Responsibilities for the Statement of Accounts** (Page 1) – which details the respective responsibilities of the Authority and its chief financial officer for the accounts

- **An Explanatory Foreword** (Page 2) – which details the most significant matters reported in the accounts

- **A Statement of Accounting Policies** (Page 130) – The accounting policies are the principle bases, conventions, rules and practices that specify how the effects of transactions and other events are reflected in the financial statements. The accounting policies that have been applied in preparing the Council's 2010/11 financial statements are detailed on Page 130.

- **Financial Statements and related disclosure notes** – which are explained further below

- **Group accounts**

Financial Statements

The Financial Statements report the Authority's financial performance for the year and its financial position.

The Authority's financial performance is reported through the:

- **Comprehensive Income and Expenditure Statement (CIES)** (Page 14) – The Comprehensive Income and Expenditure Statement shows the surplus or deficit on the provision of services and other gains and losses recognised in the year prior to any statutory adjustments for the differences between the way transactions are presented on a strict accounting basis and the amounts which are required to be met under legislation from local taxpayers and housing rents to meet the cost of General Fund and HRA services.

- **Movement in Reserves Statement (MIRS)** (Page 15) – The Movement in Reserves Statement shows the net change in the balances on reserves allowing for the aforementioned statutory adjustments. Reserves are analysed into usable reserves and unusable reserves. Usable reserves represent revenue or capital resources which are

available to fund revenue or capital expenditure or repay debt in the future, subject to the need to maintain a prudent level of reserves to cover contingencies and unforeseen commitments. Unusable reserves are not available for use.

- **The Cash Flow Statement** (Page 19) – This Statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

- **The Housing Revenue Account (HRA) Income and Expenditure Account** (Page 101) – This Account summarises the income and expenditure in respect of the provision of local authority housing accommodation. Local Authorities are required by statute to account separately for all transactions relating to the cost of providing such accommodation.

- **Collection Fund Account** (Page 111) – By statute, billing Authorities are required to maintain a separate Collection Fund which shows the level of National Non Domestic Rates, Council Tax and the residual Community Charge received by the Authority during the accounting period and the distribution of these funds.

The Authority's financial position is reported through the:

- **Balance Sheet** (Page 18) - The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) represent the Council's net worth and are matched by the reserves held by the Council. Reserves are analysed into usable and unusable in the same way as in the MIRS.

The Council's Financial Statements also include the Metropolitan Debt Administration (Page 114) statement as under the Local Government Act Reorganisation (Debt Administration – South Yorkshire) Order, 1986, the Council became responsible for the administration of the former South Yorkshire County Council Debt with effect from 1 April 1986. A separate account has been established to record the transactions, in order to arrive at a pool rate with which to charge the four district councils and joint boards within the South Yorkshire area.

Group Accounts (Page 117)

Group financial statements are required when an authority undertakes material activity through undertakings which the authority controls or is able to exert a significant influence over.

For 2010/11, the group comprises the Council and its wholly owned subsidiary 2010 Rotherham Limited. The Group Accounts on Page 117 show the consolidated financial activities of the Council and 2010 Rotherham after eliminating transactions between the two.

2 First time adoption of International Financial Reporting Standards (IFRS)

These are the first financial statements that the Council has prepared in accordance with International Financial Reporting Standards (IFRS). The adoption of IFRS has led to significant changes in the way in which certain types of transaction are accounted for which are reflected in the revised accounting policies set out from (Page 130) onwards. It has also led to certain changes to the way in which the Council's financial performance and financial position is presented (section 1 above describes the purpose of each financial statement).

In accordance with general accounting principles, the changes in accounting policy have been applied retrospectively as if the new accounting policies had always been in place. This has resulted in the need for the balance sheets at 1 April 2009 and 31 March 2010 and 2009/10 comparatives to be restated.

The overall effect of these changes on the 31 March 2010 balance sheet and 2009/10 CIES are summarised in the tables below, together with explanations of why the main changes have occurred.

Balance Sheet at 31 March 2010	As published in 2009/10 accounts £000	As restated under IFRS £000	Change £000
Property, Plant and Equipment	1,398,937	1,381,127	(17,810)
Investment Property	30,774	49,170	18,396
Intangible assets	581	581	
Long Term Investments	10,324	10,324	
Long Term Debtors	559	559	
Long Term Assets	1,441,175	1,441,761	
Short Term Investments	6,074	6,074	
Assets held for sale (< 1 year)	0	1,295	1,295
Inventories (Stock)	436	436	
Short term debtors	59,201	59,201	
Cash and Cash Equivalents	20,396	20,396	
Current Assets	86,107	87,402	
Bank Overdraft	(23,299)	(23,299)	
Short Term Borrowing	(19,677)	(19,677)	
Short Term Creditors	(102,136)	(103,766)	(1,630)
Provisions (< 1 year)	0	(564)	(564)
Current Liabilities	(145,112)	(147,306)	
Provisions (> 1 year)	(16,455)	(15,891)	564
Long term creditors	(125,489)	(231)	125,258
Long Term Borrowing	(397,753)	(397,753)	
Other long term liabilities	(439,487)	(439,487)	
Capital grants receipts in advance	0	(4,156)	(4,156)
Long Term Liabilities	(979,184)	(857,518)	
Net Assets	402,986	524,339	
Usable reserves	(47,866)	(83,410)	(35,544)
Unusable reserves	(355,120)	(440,929)	(85,809)
Total Reserves	(402,986)	(524,339)	

Comprehensive Income and Expenditure Statement 2009/10	As published in 2009/10 accounts £000	As restated under IFRS £000	Change £000
Net Cost of Service	340,520	352,048	11,528
Other Operating Expenditure	6,859	6,859	0
Financing and Investment Income and Expenditure	46,548	47,253	705
Taxation & Non-Specific Grant Income	(237,060)	(294,630)	(57,570)
(Surplus) or Deficit on Provision of Services	156,867	111,530	(45,337)
(Surplus) or Deficit on Revaluation of Non Current Assets	(22,502)	(4,750)	17,752
Write down of Met Debt	(731)	(731)	0
Actuarial (Gains) or Losses on Pension Assets & Liabilities	102,340	102,340	0
Total Comprehensive Income & Expenditure	235,974	208,389	(27,585)

Balance Sheet

(a) Property, Plant and Equipment, Investment Property, Assets Held for Sale

The changes are principally due to the reclassification of assets arising from the transition to IFRS resulting in £18m being transferred from Property, Plant and Equipment to Investment Property and Assets Held for Sale.

(b) Short term creditors

The additional £2m comprises:

- £9m of short-term benefits that employees have accumulated under their contracted employment with the Council which remain untaken at the year end, the principal one being holiday pay (these are being recognised in the Council's balance sheet as a liability for the first time under IFRS. Regulations have been put in place to mitigate the effect of having to recognise the liability such that it doesn't fall as a charge on revenue); less

- £7m of revenue grants carried forward for future use within reserves instead of creditors as terms and conditions of grant have been met.

(c) Long term creditors

The reduction of £125m all relates to a change in the way in which capital grants are accounted for and presented under IFRS. Capital grant income is now recognised in full as soon as any terms and conditions have been met rather than being recognised over the life of the asset to which the grant relates. As a consequence, £99m of capital grant applied for financing has been transferred to unusable reserves, £22m of unapplied capital grant on which there are no outstanding terms and conditions has been transferred to usable reserves, and £4m of unapplied capital grant with outstanding terms and conditions is now shown separately as capital grant received in advance. These changes do not affect the level of capital resources available for financing capital spend.

(d) Reserves

The increase in Usable Reserves of £35m is represented by the £22m of unapplied capital grant and £7m of revenue grants described above being carried forward plus £6m of accounting opportunities realised and transferred into earmarked reserves as a result of changes to the Council's accounting policies.

The increase in unusable reserves of £86m is represented by the £99m of capital grant applied for financing transferred from long term creditors plus £2m arising from the changes in the value of Property, Plant and Equipment less £9m relating to short term benefits that employees have accumulated under their contract employment less the £6m of accounting opportunities realised.

Comprehensive Income and Expenditure Statement

a) Net Cost of Service

Increase of £12m comprises:

- £36m reduction in government grant income; additional £1m relating to holiday pay; less £22m revaluation losses offset against revaluation gains; less £3m additional revenue grants income recognised as terms and conditions met.

b) Taxation and non-specific grant income

This comprises £25m of grant reclassified from net cost of services plus £32m of additional grant income recognised due to the change in the way in which capital grants is accounted for.

c) Surplus on revaluation of non current assets

The main reason for the reduction of £18m is due to revaluation losses of £22m being offset against previous gains on restatement under IFRS.

3.1 General Fund Services

Rotherham Metropolitan Borough Council set a net Revenue Budget of £216.985m for 2010/11, the actual out-turn including traded services is £214.756m an under-spend of £2.229m. After allowing for an increase of £80k in schools' balances the under-spend is £2.149m.

The Council's Revenue Budget has been continuously monitored during the financial year and reports were regularly presented to Members and senior management. Where necessary appropriate action was taken to ensure that, as far as was possible, the Council achieved a balanced budget out-turn position.

Overall net expenditure in 2010/11 was £2.229m less than the approved Budget. The principal reasons for this variation are set out below:

- An increase of £80k in schools' delegated balances;
- Under-spends against Directorates' cash-limited budgets:
    - Children and Young People's Services - a net under-spend of £0.141m. This was due overspends on commissioning and social work (£0.6m) and Children Looked After (£0.6m) being offset by under-spends chiefly in areas like, DSG-non-schools funding (£0.3m), strategic management (£0.4m), Special Education Provision (£0.4m), School effectiveness (£0.1m).
    - Environmental and Development Services - £0.196m below budget. Under-spending on culture and leisure of £0.4m, and Business Support (£0.1m) was offset in part by over-spending on asset management (£0.2m) and Streetpride (£0.1m).
    - Neighbourhood and Adult Services under-spent its budget by £1.335m. Of this, £0.989m is attributable to Adult Services where an over-spend on in-house services for older people was more than offset by under-spends in other parts of the service. Neighbourhood services spending was £0.346m below budget as a result of savings across most service areas.
    - Chief Executive's - £0.156m; and
    - Financial Services - an under-spend of £0.321m.

3.2 Level of Reserves

Reserves are amounts set aside to meet items of future expenditure. The Council holds both revenue and capital reserves. The majority of the Council's reserves are held to meet specific needs or are ring-fenced to particular services (including Schools and Housing Revenue Account balances). The Council also holds a level of uncommitted reserves that could be drawn on, if required, to support its Revenue Budget and to safeguard the Council against known potential financial risks plus any other unforeseen risks.

In line with recommended best practice both the level of general reserves and the level and purpose of earmarked reserves have been reviewed and risk assessed as part of the preparation of the Council's Revenue Budget.

As at 31 March 2011 the Council has £8.402m available in uncommitted General Fund Reserves. This is equivalent to 3.9% of the Council's Net Revenue Budget and is deemed to be a prudent level, which will allow the Council to address any issues and pressures that may arise during the coming financial year. The Council also holds £25.497m in earmarked General Fund reserves (including £0.324m schools' Declared Savings and excluding £8.064m revenue grants reserve) – see Note 2 for further detail. The position will be monitored carefully throughout the year.

Within Council balances at 31 March 2011, there is a sum of £3.152m relating to School Delegated Budget arrangements as follows:

2009/10 £m		2010/11 £m
0.405 2.748	Schools' Declared Savings Unspent Schools' Budgets	0.324 2.828
3.153	Total	3.152

3.3 Housing Revenue Account Income and Expenditure Account

For 2010/11, the Income and Expenditure Account reflects an accounting deficit on HRA services of £209.932m, prior to adjustments to equate this to the actual HRA decrease for the year of £4.118m. The difference is due principally to the Depreciation and Impairment calculations which are required to be shown in the HRA Income & Expenditure Account but then adjusted for in determining the actual deficit needing to be funded by HRA balances. The sum of £206.079m has been credited to the HRA Statement of Movement on HRA Balance to give the overall reduction in the HRA balance of £4.118m.

The £206.079m net credit in the Statement of Movement on the HRA Balance comprises adjustments for the following: Gain/loss on sale of Non Current Assets, capital expenditure funded directly from revenue, an adjustment for depreciation being higher than the Major Repairs Allowance received in the year and writing-out the value of deferred charges (capital expenditure which does not create a tangible asset).

The principal reasons for the overall reduction in the HRA balance were:

- An additional revenue contribution made to support capital expenditure (RCCO) of £1.530m. This was to fund year 4 payment commitments to contractors (£1.2m) and additionality on the Decent Homes programme (£0.330m)
- Additional investment into the Repairs and Maintenance programme of £1.124m
- An increase in the Subsidy payable to the Government (£1.162m)
- A reduction in actual interest payable by the HRA (£0.895m)
- The Management Fee to the ALMO (2010 Rotherham Ltd) was increased by £3.109m to cover the net trading liabilities being transferred from 2010 Rotherham Ltd as part of the winding up of the company.

These additional cost pressures were partially offset by:

- Supervision and Management costs are less than anticipated (£0.417m).
- An increase in rental income (£0.713)
- Lower than expected bad debt provision for both rent arrears and tenants rechargeable repairs (£0.117m), as a result of maintaining the prudent level of bad debt cover agreed during the review of 07/08.
- Reduced debt management costs (£0.183m)

Central Government has announced its intention to abolish the current HRA subsidy system from April 2012 and to replace it with a devolved financial system that allows councils to retain their net rental income to service a newly allocated level of housing debt. In return for a one off distribution of debt, the Council will be entitled to retain all net rental income from the housing stock and develop its own integrated asset and debt management strategy for the HRA.

4 Capital Spend and Borrowing in 2010/11

Capital spending is generally defined as expenditure on the purchase, improvement or enhancement of assets, the benefit of which impacts for longer than the year in which the expenditure was incurred.

(a) Total capital expenditure in 2010/11 amounted to £99.635m (excluding PFI and Finance Lease liabilities) and comprised the following:

	2010/11 £m
Children & Young People Services	17.337
Neighbourhoods	
- Housing Revenue Account Element	41.206
- General Fund Element	5.997
Adult Social Services	0.460
Environment & Development Services	27.191
Culture and Leisure	1.570
Financial Services	5.874
Total	99.635

(b) Financing of this expenditure is analysed below:

	2010/11 £m
Borrowing need	28.871
Major Repairs Allowance (MRA)	15.462
Grants & Other Contributions	37.435
Capital Receipts	4.382
Internal Funds (e.g. Reserves, etc)	13.485
Total	99.635

(c) Major items of capital expenditure incurred during 2010/11 are as follows:

	2010/11 £m
Non Housing	
Swinton Queen New School	3.665
Rawmarsh Monkwood Amalgamated Works	1.625
Kimberworth Co-Location	2.627
Carriageway Principal Roads	1.846
New Depot Acquisition	3.184
Rawmarsh CSC	1.341
New Civic Accommodation	3.111
Town Hall Refurbishment	2.156
Community Stadium	2.672
Rotherham Connect Affordability	1.212
Severance-Statutory Redundancy	1.293
Housing Investment Programme	
New Build 1 - Wood Street	3.235
New Build - Phase 2 - Albert Road	1.330
New Build-Phase 3-Rother View	1.682
New Build-Phase 3-Albany Road	1.303

	2010/11 £m
Disabled Adaptations - Public Sector	1.538
Structural Works Non-Traditional	2.883
Decent Homes – ALMO Funded	26.324
Housing Pathfinder Projects	1.396
Housing Growth Programme Projects	1.260

(d) The Council's borrowing activities based upon principal amounts during 2010/11 are summarised as follows:

2009/10 £m		2010/11 £m
416.296	Balance as at 1 April	397.636
	Plus:	
25.000	New long-term borrowing	40.000
(28.660)	Long-term borrowing repaid	0.000
(15.000)	Re-classified as temporary borrowing (repayable in the following financial year)	(17.000)
397.636	Balance as at 31 March	420.636

The Council's operational boundary for external debt for the year was £553.370m and its Authorised Limit for External Debt, the statutory limit determined under section 3(i) of the Local Government Act 2003, was £610.215m.

Temporary Borrowing

2009/10 £m		2010/11 £m
0.000	Balance as at 1 April	15.000
	Plus:	
165.630	New temporary borrowing	281.020
15.000	Re-classified from long-term borrowing	17.000
180.630		313.020
(165.630)	Repayments in the year	(276.020)
0.000	Repayment of prior year's reclassified long-term borrowing	(15.000)
(165.630)		(291.020)
15.000	Balance as at 31 March	22.000

Further detail of the Council's long-term liabilities and short-term borrowing is provided in Note 24.

5 Arms Length Management Organisation (2010 Rotherham Ltd)

2010 Rotherham Limited has since 19 May 2005, been responsible for the management, repair and improvement of the Council's housing stock.

During 2010/11, 2010 Rotherham Limited completed the delivery of the Decent Homes programme and externalisation of the Property Services repair and maintenance activities. Following consultation with tenants, the Council decided on 23 February 2011, to bring the management of Council Housing back under the direct control of the Council. As a consequence, the company has elected to cease trading when the management agreement expires on 30 June 2011.

Under the terms of the management agreement, the assets and liabilities of 2010 Rotherham will transfer to the Council when the company is wound up. As the decision to bring the housing management function back in house was taken before the end of the 2010/11 financial year, the assets and liabilities reported in the company's 2010/11 accounts have been recognised in the Council's own single entity accounts as follows:

- Net trading liabilities of the company as at 31 March 2011 - £3.272m
- Pension strain costs - £0.633m
- FRS 17 pensions liability - £5.430m

6 RBT (Connect) Ltd

On 17 April 2003 the Authority signed a strategic partnership with BT plc, forming a joint venture company, RBT (Connect) Limited which has been central to the Authority's efforts to improve the quality of service delivery to the public. The contract was scheduled for completion in March 2015.

On 8 June 2011, the Council took a decision to seek early completion of the partnership and conclude the work of the highly successful joint venture. This decision has been taken to enable the Council to put itself in a strong position to take advantage of new policy developments, such as the drive towards shared services with other councils, which can be pursued more easily outside of the current structure and will result in future additional net annual savings.

The Council is working together with BT to finalise the detail of the transition arrangements, but access to services will be unchanged and customers will be unaffected.

7 Private Finance Initiatives

The Council is currently engaged in a joint Waste PFI procurement with Barnsley and Doncaster Councils to provide residual waste facilities for the 3 boroughs. The competitive dialogue process is continuing, and final tender submissions were received from both bidders on the 17 January 2011. Following an evaluation process, Cabinet recommended the appointment of 3SE (Shanks, Scottish and Southern Energy) as preferred bidder at their meeting of 23 March 2011. Work has now commenced on finalising the contract documents, with financial close programmed for September 2011. The Councils have been jointly awarded £77.4m PFI credits for this project. The contract will assist the Councils in achieving their overall 50% recycling targets.

8 Pensions

These Statements incorporate pensions details determined in accordance with the requirements of FRS17/IAS19 Retirement Benefits, the purpose of which is to ensure that accounting statements reflect the value of the assets and liabilities underlying the Council's obligations in respect of retirement benefits. The figures include a snapshot of the Council's estimated financial position in relation to the scheme at a particular point in time. The position at 31 March 2011 is disclosed in Note 19.

Eligible members of the Local Government Superannuation Scheme (LGSS) employed by the Council are covered by the South Yorkshire Pension Fund. In addition to the recent valuation exercise for the purposes of FRS17/IAS19, a triennial actuarial valuation of the fund as at 31 March 2010 has been undertaken with the aim of reviewing the financial position of the Fund and determining appropriate employer contributions for the future. The LGSS Regulations require that the level of contributions is sufficient to maintain the solvency of the Fund.

The key conclusions of the triennial valuation are that the Fund remains in deficit and that the funding level has dropped from 86% to 79%. This deficit will be recovered through additional employer contributions over 25 years. The actuarial assessment has taken into account the Chancellor's Budget Statement of 22 June 2010 which changed the basis on which Public Service Pensions are up-rated annually from the Retail Price Index to the Consumer Price Index. This change has been treated as a change in benefits and is recognised in the accounts as a past service gain in accordance with UITF Abstract 48.

The triennial valuation assessed the cost of future service accrual for employers as being 12% (previously 11.6%). Employee contributions are payable in addition to employer contributions and these are currently under assessment following the publication of Lord Hutton of Furness' Report on Public Service Pensions.

9 Unusual and material charges or credits to the accounts

Revaluation losses and Impairment

Council Dwellings have been revalued downwards by £188m. This has occurred because the social housing discount factor applied to council house values in Yorkshire and Humberside to reflect the fact that rents are at social housing rather than market rates was adjusted by central government from 47% in 2009/10 to 31% in 2010/11.

£7m of the £188m downward revaluation has been offset against previous revaluation gains. The remaining £181m has been charged as a revaluation loss and forms part of the overall impairment charge of £218m made to the HRA Income and Expenditure Account.

10 Outlook

Having taken office in May 2010, the Coalition Government made several announcements reducing the specific grants made to local government both in the 2010/11 and subsequent financial years. Initial grant reductions of £1.166bn from specific grants were announced on 24 May 2010, followed by an Emergency Budget in June and details of other grant reductions leading up to the Comprehensive Spending Review (CSR) in October 2010.

The 2010/11 grant reductions affected both revenue and capital funding streams, reducing Rotherham's revenue and capital funding by £5m each in year and requiring the Council to revisit the 2010/11 Budget that had been set just 4 months earlier, to find the extra £10m savings.

Clearly the Council had to have a short term objective to balance its Budget in 2010/11 but it was clear that the Chancellor's proposals would have a longer term impact on Rotherham's funding position. Therefore, in setting the 2011/12 Budget, the Council considered that it was essential to keep its eye on the next few years ahead and avoid hasty decisions that could cost it unnecessarily in the longer term.

The appropriateness of this approach was confirmed with the publication in the autumn of 2010 of the Comprehensive Spending Review (CSR) which outlined Government spending plans for 2011/12 to 2014/15. This outlined real term reductions of 28% over the period in Central Government funding for local government.

The precise impact of the CSR for Rotherham became clear with the release of details of the local government finance settlement for 2011/12 and 2012/13 in December 2010.

This was one of the most complex settlements for some time as it included not only changes in the data and formulae used to calculate authorities' grant allocations but also a significant number of former specific grants, many formerly paid as Area Based Grant (ABG), were rolled into the Formula Grant baseline for 2011/12.

In Rotherham's case £16.1m (at 2010/11 levels) of grant were rolled into the Formula Grant total and taking these grants into account, the Council's Formula Grant allocation was reduced by 11.60% or £16.20m year on year. This reduction is greater than both the national and regional averages (-9.90% and -10.10%) and is in line with reductions for Other Metropolitan District Councils (-11.30%).

The Formula Grant Settlement also indicated that a further 8.30% reduction in funding from 2011/12 levels was planned for 2012/13, bringing the total reduction over the two years to 18.70%. Furthermore, although the grant reductions are frontloaded, the Spending Review indicated that Councils would face an average loss of grant of 7.1% over the next 4 years, which implies that grant will reduce further in the two subsequent financial years of the CSR period.

In addition, during the current financial year the Government is undertaking a fundamental review of how local government is financed, including examining options for the relocalisation

of the business rate, the use of Tax Increment Funding (TIF) and the creation of Enterprise Zones. Outcomes of the review are expected to be reported in early summer 2011 and changes to be implemented for April 2012.

The withdrawal of Central Government funding and grant allocations to local councils resulted in the Council facing a £30.3m resources gap in 2011/12 and it is anticipated that the Council will face similar pressures on resources in coming financial years. As well as reducing grant levels the Council is facing spending and cost pressures, as a result of factors such as inflation, demographic changes and changes in services. It is clear that the Council and local government as a whole are facing a period of austerity.

In light of the anticipated ongoing financial pressures, the approach taken by the Council to its budget process is crucial. From the outset of the 2011/12 Budget process the Council has said that its focus must be on the customers it serves, the communities and businesses of Rotherham – and not its organisational structure. A clear set of budget principles have been identified. As a first course of action, the Council has sought to streamline its management and administration and to reduce as far as possible its back office costs. In addition, areas where better ways of working could result in even greater efficiency and effectiveness have been identified.

Nevertheless the financial challenges are expected to be severe and difficult choices will be required. The intention is that by adopting a calm and measured approach and planning ahead it is possible for the Council to protect vital services for those most in need. Such an approach will allow the Council to focus on the next three to four years to ensure that our services continue to be of a high standard that is fully aligned to the Community Strategy and the Corporate Plan.

A A Bedford, BA(Hons), CPFA
Strategic Director of Finance

Main Financial Statements and Notes to the Core Financial Statements

Comprehensive Income and Expenditure Statement

Movement in Reserves Statement

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Notes to the Core Financial Statements

Comprehensive Income and Expenditure Statement

This Statement shows the surplus or deficit on the provision of services and other gains and losses recognised in the year prior to any statutory adjustments for the differences between the way transactions are presented on a strict accounting basis and the amounts which are required to be met under legislation from local taxpayers and housing rents to meet the cost of General Fund and HRA services. The amount to be met from local taxpayers and housing rents is shown in the Movement in Reserves Statement.

The Council did not acquire any new operations in either 2009/10 or 2010/11. All of the Council's income and expenditure relates to continuing operations.

As Restated 2009/10 Net Cost £000		Gross Expenditure £000	Gross Income £000	2010/11 Net Cost £000	Notes
82,014	Adult Social Care	121,109	(32,576)	88,533	
2,222	Central Services to the Public	2,879	(778)	2,101	
125,851	Education and Children Services	337,281	(258,305)	78,976	
59,575	Cultural, Environmental Regulatory and Planning Services	73,054	(21,098)	51,956	
28,542	Highways and Transport Services	38,015	(3,821)	34,194	
47,058	Local Authority Housing (HRA)	278,292	(76,607)	201,685	
6,065	Other Housing Services	112,329	(110,023)	2,306	
(443)	Corporate and Democratic Core	6,743	(1,394)	5,349	
1,164	Non Distributed Costs	(37,962)	(53)	(38,015)	
352,048	Net Cost of Service	931,740	(504,655)	427,085	
6,859	Other Operating Expenditure	23,555	0	23,555	4
47,253	Financing and Investment Income and Expenditure	46,137	(1,978)	44,159	5
0	Profit or loss on Discontinued Operations	0	0	0	
(294,630)	Taxation & Non-Specific Grant Income	0	(284,280)	(284,280)	7
111,530	**(Surplus) or Deficit on Provision of Services**	1,001,432	(790,913)	210,519	
(4,750)	(Surplus) or Deficit on Revaluation of Non Current Assets			(949)	38b
(731)	Write down of Met Debt			(804)	
102,340	Actuarial (Gains) or Losses on Pension Assets & Liabilities			(34,102)	19
96,859	**Other Comprehensive Income & Expenditure**			(35,855)	
208,389	**Total Comprehensive Income & Expenditure**			174,664	

Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves' (which are not available for use and are detailed in Note 38). The 'surplus or (deficit) on the provision of services' line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. The "adjustments between accounting basis and funding basis under regulations" line represents the statutory adjustments required to arrive at the amounts to be charged to the General Fund Balance for Local Tax purposes. The 'net increase /decrease before transfers to statutory and other reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from statutory and other reserves undertaken by the Council.

Opening balances at 1 April 2009 and closing balances at 31 March 2010 have been restated for the effect of the transition to IFRS. The overall adjustments at 31 March 2010 arising from restatement are shown in section 2 of the Explanatory Foreword on Page 4.

2009/10	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserves	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	Notes
Balance as at 1 April 2009	**13,800**	**36,291**	**6,193**	**66**	**6,353**	**320**	**11,618**	**74,641**	**658,087**	**732,728**	
Movement in reserves during the year											
Surplus or (deficit) on the provision of services	(54,640)	0	(56,890)	0	0	0	0	(111,530)	0	(111,530)	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(96,859)	(96,859)	
Total Comprehensive Income and Expenditure	(54,640)	0	(56,890)	0	0	0	0	(111,530)	(96,859)	(208,389)	
Adjustments between accounting basis & funding basis under regulations	52,434	0	57,521	0	(2,352)	1,875	10,821	120,299	(120,299)	0	1
Net Increase / (Decrease) before											

2009/10	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserves	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	Notes
Transfers to Statutory and Other Reserves	**(2,206)**	**0**	**631**	**0**	**(2,352)**	**1,875**	**10,821**	**8,769**	**(217,158)**	**(208,389)**	
Add: Transfers (to)/from Earmarked Reserves	(2,716)	2,716	66	(66)	0	0	0	0	0	0	2
Increase / (Decrease) in Year	**(4,922)**	**2,716**	**697**	**(66)**	**(2,352)**	**1,875**	**10,821**	**8,769**	**(217,158)**	**(208,389)**	
Increase / (Decrease) in Year consists of:											
Other transfers	(2,916)										
Outturn	(2,006)										
At 31 March 2010	**8,878**	**39,007**	**6,890**	**0**	**4,001**	**2,195**	**22,439**	**83,410**	**440,929**	**524,339**	

2010/11	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserves	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	Notes
Balance as at 1 April 2010	**8,878**	**39,007**	**6,890**	**0**	**4,001**	**2,195**	**22,439**	**83,410**	**440,929**	**524,339**	
Movement in reserves during the year											
Surplus or (deficit) on the provision of services	(587)	0	(209,932)	0	0	0	0	(210,519)	0	(210,519)	
Other Comprehensive Income and											

2010/11	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserves	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	Notes
Expenditure	0	0	0	0	0	0	0	0	35,855	35,855	
Total Comprehensive Income and Expenditure	(587)	0	(209,932)	0	0	0	0	(210,519)	35,855	(174,664)	
Adjustments between accounting basis & funding basis under regulations	(2,507)	0	206,079	0	(1,215)	(2,195)	2,902	203,064	(203,064)	0	1
Net Increase / (Decrease) before Transfers to Statutory and Other Reserves	**(3,094)**	**0**	**(3,853)**	**0**	**(1,215)**	**(2,195)**	**2,902**	**(7,455)**	**(167,209)**	**(174,664)**	
Transfers (to) / from Earmarked Reserves	5,446	(5,446)	(265)	265	0	0	0	0	0	0	2
Increase / (Decrease) in Year	**2,352**	**(5,446)**	**(4,118)**	**265**	**(1,215)**	**(2,195)**	**2,902**	**(7,455)**	**(167,209)**	**(174,664)**	
Increase / (Decrease) in Year consists of: Other transfers	123										
Outturn	2,229										
At 31 March 2011	**11,230**	**33,561**	**2,772**	**265**	**2,786**	**0**	**25,341**	**75,955**	**273,720**	**349,675**	

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

As Restated 1 April 2009 £000	As Restated 31 March 2010 £000		31 March 2011 £000	Notes
1,404,971	1,381,127	Property, Plant and Equipment	1,173,899	20
49,048	49,170	Investment Property	46,443	21
793	581	Intangible assets	156	22
21,079	10,324	Long Term Investments	1,760	30
523	559	Long Term Debtors	999	33
1,476,414	1,441,761	**Long Term Assets**	1,223,257	
66,294	6,074	Short Term Investments	776	24
1,299	1,295	Assets held for sale	1,142	23
449	436	Inventories (Stock)	538	31
52,901	59,201	Short term debtors	39,550	33
15,876	20,396	Cash and Cash Equivalents	19,669	34
136,819	87,402	**Current Assets**	61,675	
0	(23,299)	Bank Overdraft	(8,457)	34
(4,792)	(19,677)	Short Term Borrowing	(26,749)	24
(108,806)	(103,766)	Short Term Creditors	(93,876)	35
(360)	(564)	Provisions	(2,437)	36
(113,958)	(147,306)	**Current Liabilities**	(131,519)	
(20,946)	(15,891)	Provisions	(14,396)	36
0	(231)	Long term creditors	0	35
(416,638)	(397,753)	Long Term Borrowing	(420,636)	24
(323,180)	(439,487)	Other long term liabilities	(368,240)	50
(5,783)	(4,156)	Capital grants receipts in advance	(466)	8
(766,547)	(857,518)	**Long Term Liabilities**	(803,738)	
732,728	524,339	**Net Assets**	349,675	
(74,641)	(83,410)	Usable reserves	(75,955)	37
(658,087)	(440,929)	Unusable reserves	(273,720)	38
(732,728)	(524,339)	**Total Reserves**	(349,675)	

Cash Flow Statement

	As Restated 2009/10 £000	2010/11 £000	Notes
Net (surplus) or deficit on the provision of services	111,530	210,519	
Adjustments to net surplus or deficit on the provision of services for non-cash movements	(136,494)	(235,940)	
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	0	0	39
Net cash flows from Operating Activities	(24,964)	(25,421)	39
Investing Activities	37,472	37,996	40
Financing Activities	6,271	(26,690)	41
Net (increase) or decrease in cash and cash equivalents	18,779	(14,115)	
Cash and cash equivalents at the beginning of the reporting period	15,876	(2,903)	34
Cash and cash equivalents at the end of the reporting period	(2,903)	11,212	34

NOTES TO THE CORE FINANCIAL STATEMENTS

Note 1 Adjustments between Accounting Basis and Funding Basis

This note details the statutory adjustments for the differences between the way transactions are presented on a strict accounting basis and the amounts which are required to be met under legislation from local taxpayers and housing rents to meet the cost of General Fund and HRA services.

2009/10	**Movements in Usable Reserves**					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
Charges for depreciation and impairment of non current assets	102,381	56,917	0	0	0	(159,298)
Amortisation of intangible assets	390	0	0	0	0	(390)
Capital grants and contributions applied	(59,605)	(2,651)	0	0	10,821	51,435
Revenue expenditure funded from capital under statute	9,323	153	0	0	0	(9,476)
Gain/loss on disposal of non current assets charged to the Comprehensive Income and Expenditure Statement	297	1,707	1,894	0	0	(3,898)
Statutory provision for the financing of capital investment	(9,252)	0	0	0	0	9,252
Capital expenditure charged against the General Fund and HRA balances	0	(2,100)	0	0	0	2,100
Adjustments primarily involving the Capital Receipts Reserve:						
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(3,298)	0	0	3,298

Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	958	0	(958)	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	10	0	0	(10)
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	0	3,556	0	(3,556)	0	0
HRA depreciation to capital adjustment account	0	0	0	16,620	0	(16,620)
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	(11,189)	0	11,189
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(224)	(168)	0	0	0	392
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 19)	32,827	378	0	0	0	(33,205)
Employer's pension contributions and direct payments to pensioners payable in the year	(24,666)	(271)	0	0	0	24,937

Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1,365)	0	0	0	0	1,365
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,370	0	0	0	0	(1,370)
Total Adjustments	**52,434**	**57,521**	**(2,352)**	**1,875**	**10,821**	**(120,299)**

2010/11	Movements in Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
Charges for depreciation and impairment of non current assets	48,477	217,819	0	0	0	(266,296)
Amortisation of intangible assets	449	0	0	0	0	(449)
Capital grants and contributions applied	(33,769)	(6,568)	0	0	2,902	37,435
Revenue expenditure funded from capital under statute	9,288	48	0	0	0	(9,336)
Gain/loss on disposal of non current assets charged to the Comprehensive Income and Expenditure Statement	18,335	150	4,002	0	0	(22,487)
Statutory provision for the financing of capital investment	(10,256)	0	0	0	0	10,256
Capital expenditure charged against the General Fund and HRA balances	0	(4,030)	0	0	0	4,030
Adjustments primarily involving the Capital Receipts Reserve:						

Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(4,382)	0	0	4,382
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	842	0	(842)	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	7	0	0	(7)
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	0	(868)	0	868	0	0
HRA depreciation to capital adjustment account	0	0	0	12,399	0	(12,399)
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	(15,462)	0	15,462
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(685)	(96)	0	0	0	781
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 19)	(8,271)	(92)	0	0	0	8,363
Employer's pension contributions and direct payments to pensioners payable in the year	(25,004)	(279)	0	0	0	25,283

Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(312)	0	0	0	0	312
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,601)	(5)	0	0	0	1,606
Total Adjustments	**(2,507)**	**206,079**	**(1,215)**	**(2,195)**	**2,902**	**(203,064)**

Note 2 Transfers to and from Earmarked Reserves

General Fund	Balance at 1 April 2009 £000	Transfers Out 2009/10 £000	Transfers In 2009/10 £000	Balance at 31 March 2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31 March 2011 £000
Central Services							
Insurance	1,478	(739)	248	987	(100)	596	1,483
Invest to Save	595	(702)	255	148	(180)	182	150
Statutory Costs	6	(6)	200	200	(83)	0	117
Commutation Adjustment	8,110	(290)	932	8,752	(517)	159	8,394
Revenue Grants Reserve	4,294	(4,100)	7,208	7,402	(6,724)	7,386	8,064
EDS							
Energy Conservation	472	(24)	91	539	(420)	247	366
Museum	40	(6)	15	49	(4)	9	54
RERF	347	(166)	0	181	0	100	281
Maintenance of Buildings	425	(19)	4	410	0	149	559
Winter Conditions	154	(21)	0	133	0	117	250
Schools Maintenance Programme	0	0	0	0	0	73	73
Managed Workspace R&R	0	0	0	0	0	144	144
PFI – Leisure	223	0	85	308	(220)	0	88
Landfill Allowance Trading Scheme	0	(116)	116	0	0	305	305
C&YPS							
CENT ICT Refresh	101	(27)	0	74	(74)	0	0
Schools Declared Savings	613	(210)	2	405	(82)	1	324
PFI - Schools	18,803	(912)	1,034	18,925	(6,244)	0	12,681
Neighbourhoods & Adult Services							
Housing Improvement Programme	29	0	1	30	0	0	30
Dispersed & Furnished Units	69	(65)	0	4	0	11	15
Equity Loan Scheme Reserve	0	0	0	0	0	22	22
Asylum Seekers	532	(361)	289	460	(387)	88	161
Total	**36,291**	**(7,764)**	**10,480**	**39,007**	**(15,035)**	**9,589**	**33,561**
Housing Revenue Account							
Furnished Homes	66	(66)	0	0	0	265	265
Total	**66**	**(66)**	**0**	**0**	**0**	**265**	**265**
	36,357	**(7,830)**	**10,480**	**39,007**	**(15,035)**	**9,854**	**33,826**

Earmarked General Fund Reserves

The Council holds a number of earmarked reserves to meet specific needs or which are ring-fenced to particular services. A brief description of the purpose of each reserve is provided as follows:

(i) Insurance

That part classified as a Reserve (as distinct from a Provision – (see Note 36) is earmarked to meet future potential and contingent liabilities.

(ii) Invest to Save

This fund was established to stimulate a number of creative and innovative developments in service delivery.

(iii) Statutory Costs

Used for any extraordinary legal costs not covered within the Revenue Budget.

(iv) Commutation Adjustment

This reserve was created to provide funding in future years when the commutation adjustment becomes a cost to the General Fund.

(v) Revenue Grant Reserve

This reserve represents the revenue grants available for future use which have been recognised within income as and when the terms and conditions of the grants have been met.

(vi) Energy Conservation

This reserve has been set up to provide initial investment for energy conservation work. It is anticipated that such investment will generate long term savings. Money is advanced to spending services and is repaid over a predetermined period, the repayments generating resources for further investment.

(vii) Museum

This reserve was created principally for the Rotherham Museum to enable the purchase of exhibits that come onto the market on an irregular basis.

(viii) RERF

Set up to defray the costs associated with supporting/funding externally funded schemes across several financial years and facilitating the economic regeneration of the borough, and to allow carry forward of funds on an annual basis.

(ix) Maintenance of Buildings

Set up to defray the cost of Maintenance of Buildings across the Council by focussing on a more corporate and strategic approach.

(x) Winter Conditions

Set up to alleviate the costs of winter maintenance activities associated with the impact of severe winter weather conditions.

(xi) Schools Maintenance Programme

Set up to hold monies set aside for a statutory 2/3 year programme of school buildings maintenance works. The monies held in this reserve have been contributed from schools balances which makes it distinct from the General Fund Maintenance Reserve.

(xii) Managed Workspace R&R

Set up to defray the cost of a new programme of maintenance on the managed workspace buildings and a programme of equipment renewal. The nature of the funding of these buildings excludes them from the programme of maintenance for other council buildings, creating the necessity for a separate reserve.

(xiii) PFI – Leisure

This PFI arrangement will last for 33 years and 3 months. The reserve recognises the fact that receipts and payments into the reserve are smoothed out over the life of the contract so that the balance on the reserve at the end of the contract is nil. This arises as only 50% of the Unitary Charge payment is indexed, the remaining 50% being fixed. As the PFI revenue grant support is fixed, the Council's budgetary contributions as a proportion of income increase over time.

(xiv) Landfill Allowance Trading Scheme

This Reserve has been established to hold amounts required to meet future Landfill Allowance Trading Scheme liabilities.

(xv) CENT ICT Refresh

This reserve is to be used to replace ICT equipment at CENT@Magna when the existing equipment is no longer viable. The equipment at CENT needs to be state of the art to ensure it meets the client's requirements in a fast evolving environment. This reserve was closed at 31 March 2011.

(xvi) Schools Declared Savings

Under the Authority's Scheme for the Local Management of Schools, all Primary, Secondary and Special Schools are allowed to invest, internally with the Authority, sums set aside from their delegated budgets, for use in future years. Interest can be earned on such savings. These sums were initially allocated to schools as part of their formula-funded budgets and are, therefore, exclusively earmarked for use by those same schools in the future.

(xvii) PFI – Schools

This PFI arrangement will last for 30 years. The reserve recognises the fact that funding received in the early years is in excess of expenditure, but that expenditure will rise significantly after all schools have been delivered.

(xviii) Housing Improvement Programme

This reserve was created for two schemes from the 2006/7 HIP programme which were part of the HIP's role in enabling decent affordable housing in the private sector. During 2008/9 some of these funds were utilised under the Rent Deposit scheme. The reserve was increased for Works in Default in 09/10 as a result of payments being received relating to 08/9, when the reserve had been used to support Works in Default. Neither scheme has been utilised in 10/11 but it is anticipated that there will be some write offs during 11/12 which will require the use of the reserves.

1 Rent Deposit Guarantee Scheme £11,446

Provides rent deposit guarantees for such accommodation and will only be required if a tenant defaults on their payment.

2 Works in Default £18,372

This reserve enables Environmental Health Officers to force private landlords into doing improvements on their properties. This will only be used if they default on the agreement.

(xix) Dispersed and Furnished Units

This reserve was set up in 07/8 to enable continued funding and extension of the Furnished Homes arrangement within GF. Income from the weekly charge from occupied units is used to contribute to replace fixtures, furniture and furnishings within the temporary units for the homeless and is ring-fenced to the service area. Due to the nature of what the properties are used for it is difficult to estimate the occupancy, thus the income levels that may be generated throughout the year are reinvested into the upkeep of the properties and to cover operational costs, any reserve that is generated at year end will be used the following year to maintain property standards and to supplement any short fall in income due to under occupancy of the units in year. This service sits alongside the furnished accommodation scheme operated in the HRA to help support the establishment of vulnerable tenancies.

(xx) Equity Loan Scheme Reserve

This reserve was set up in 2010/11 to accommodate the revenue element of the Growth Fund Grant (£22k) to be used as part of the Equity Loan Scheme. The funding is to be used to ensure there are no cost implications to General Fund after accounting for any administrative expenditure in relation to Loans issued through Donbac and receipt of any interest relating to the loans.

(xxi) Asylum Seekers

This reserve was set up to accommodate a front loaded grant which was superseded by a new scheme in 2006/07. The scheme was designed to produce a profit in the early years by incorporating efficient use of resources. A balance is required to cover fixed costs if Asylum numbers fall, and for an exit strategy. The contract is due to end in May 2011. At the end of the scheme it is anticipated this reserve will have been used up.

The reserve has been reduced for the year 2010/11. It has provided support for failed and destitute asylum seekers with community care needs and for other additional costs including supporting single people for whom a lower fee is paid.

(xxii) Furnished Homes

This reserve has been created to enable continued funding and extension of the Furnished Homes arrangements within the Housing Revenue Account. Expenditure covers the provision and replacement of a range of furnished packages, enabling those on low incomes to acquire furniture and household goods at affordable charges. The Service has been extended and re-branded in 2009/10 as Rotherham Furniture Solutions and the reserve has been fully utilised in year.

Note 3 Segmental Reporting

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made within budget reports in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement).

- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.

Income and expenditure of the Council's directorates reported in the budget reports for the year

2010/11	Childrens £000	Schools £000	EDS £000	Neighbourhoods £000	Adults £000	Financial Services £000	Chief Executive £000	Central £000	HRA £000	Total £000
Fees, charges & other service income	(25,414)	(20,825)	(32,117)	(7,788)	(41,100)	(13,185)	(16,218)	(26,733)	(59,057)	(242,437)
Government Grants	(49,064)	(173,581)	(33,330)	(1,230)	(13,683)	(97,482)	(1,845)	(987)	(14,909)	(386,111)
Total Income	**(74,478)**	**(194,406)**	**(65,447)**	**(9,018)**	**(54,783)**	**(110,667)**	**(18,063)**	**(27,720)**	**(73,966)**	**(628,528)**
Employee Expenses	55,649	156,009	39,737	8,013	37,112	7,037	6,588	319	2,909	313,373
Other Operating expenses	64,949	31,681	67,524	5,044	88,974	107,725	16,593	53,324	74,415	510,229
Central Dept. & Tech. Support	362	6,636	5,658	72	44	6,413	3,678	197	760	23,820
Total Operating Expenses	**120,960**	**194,326**	**112,919**	**13,129**	**126,130**	**121,175**	**26,859**	**53,840**	**78,084**	**847,422**
Revenue outturn	**46,482**	**(80)**	**47,472**	**4,111**	**71,347**	**10,508**	**8,796**	**26,120**	**4,118**	**218,874**
2009/10										
Fees, charges & other service income	(38,545)	(20,538)	(36,451)	(18,216)	(38,032)	(11,464)	(12,161)	(23,721)	(54,225)	(253,353)
Government Grants	(46,365)	(180,674)	(36,535)	(1,779)	(12,554)	(89,882)	(1,218)	(7,512)	(13,064)	(389,583)
Total Income	**(84,910)**	**(201,212)**	**(72,986)**	**(19,995)**	**(50,586)**	**(101,346)**	**(13,379)**	**(31,233)**	**(67,289)**	**(642,936)**
Employee Expenses	53,058	163,184	38,739	8,000	39,178	5,038	6,373	1,345	2,663	317,578
Other Operating expenses	73,332	33,740	69,463	16,569	83,992	100,241	11,815	56,528	63,196	508,876
Central Dept. & Tech. Support	422	6,453	10,341	82	24	6,475	3,996	115	733	28,641
Total Operating Expenses	**126,812**	**203,377**	**118,543**	**24,651**	**123,194**	**111,754**	**22,184**	**57,988**	**66,592**	**855,095**
Revenue outturn	**41,902**	**2,165**	**45,557**	**4,656**	**72,608**	**10,408**	**8,805**	**26,755**	**(697)**	**212,159**

Reconciliation of Directorate income and expenditure to Net Cost of Services reported in the Comprehensive Income and Expenditure Statement

	2009/10 £000	2010/11 £000
Net expenditure in the Directorate Analysis	244,870	218,874
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Directorate analysis	(8,554)	(48,359)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	115,732	256,570
Cost of Services in Comprehensive Income and Expenditure Statement	352,048	427,085

Reconciliation of Directorate income and expenditure to subjective analysis of the Surplus or Deficit on the Provision of Services reported in the Comprehensive Income and Expenditure Statement

2009/10	Directorate Analysis £000	Amounts Not reported to Management £000	Amounts not included in I&E as cost of service £000	Allocation of Recharges £000	Cost of Services £000	Items shown below cost of service on I&E £000	Total £000
Fees, charges & other service income	(251,777)	0	51,816	30,444	(169,517)	0	(169,517)
Surplus on Trading Activities	0	0	0	0	0	(2,073)	(2,073)
Interest & Investment Income	(1,576)	0	1,576	0	0	(2,655)	(2,655)
Income from Council Tax	0	0	0	0	0	(93,981)	(93,981)
Government Grants & Contributions	(356,639)	0	24,143	0	(332,496)	(200,649)	(533,145)
Total Income	(609,992)	0	77,535	30,444	(502,013)	(299,358)	(801,371)
Employee expenses	317,578	(8,554)	(18,622)	0	290,402	18,192	308,594
Other service expenses	500,664	0	(66,249)	(30,444)	403,971	1,006	404,977
Depreciation, amortisation and impairments	0	0	159,688	0	159,688	0	159,688
Interest payments	32,783	0	(32,783)	0	0	32,783	32,783
Precepts and levies	1,833	0	(1,833)	0	0	3,897	3,897
Payments to Housing Capital receipts pool	0	0	0	0	0	958	958
Gain or loss on disposal of Non Current Assets	2,004	0	(2,004)	0	0	2,004	2,004
Total Expenditure	854,862	(8,554)	38,197	(30,444)	854,061	58,840	912,901
(Surplus) or Deficit on the provision of services	244,870	(8,554)	115,732	0	352,048	(240,518)	111,530
Adjustments implemented under IFRS:							
Excluded Interest (capitalised under IFRS)	233						
Excluded grant income (Deferred Capital Grant)	(36,052)						
Add Revenue Grant adjustment	3,108						
Original (Surplus) or Deficit on the provision of services	212,159						

2010/11	Directorate Analysis £000	Amounts Not reported to Management £000	Amounts not included in I&E as cost of service £000	Allocation of Recharges £000	Cost of Services £000	Items shown below cost of service on I&E £000	Total £000
Fees, charges & other service income	(259,915)	0	72,314	(12,881)	(200,482)	0	(200,482)
Surplus on Trading Activities	0	0	0	0	0	(451)	(451)
Interest & Investment Income	(260)	0	260	0	0	(1,527)	(1,527)
Income from Council Tax	0	0	0	0	0	(96,075)	(96,075)
Government Grants & Contributions	(368,374)	0	64,201	0	(304,173)	(188,205)	(492,378)
Total Income	(628,549)	0	136,775	(12,881)	(504,655)	(286,258)	(790,913)
Employee expenses	313,372	(48,359)	(21,133)	0	243,880	13,107	256,987
Other service expenses	481,503	0	(73,268)	12,881	421,116	1,075	422,191
Depreciation, amortisation and impairments	0	0	266,744	0	266,744	0	266,744
Interest payments	31,799	0	(31,799)	0	0	31,799	31,799
Precepts and levies	2,264	0	(2,264)	0	0	4,384	4,384
Payments to Housing Capital receipts pool	0	0	0	0	0	842	842
Gain or loss on disposal of Non Current Assets	18,485	0	(18,485)	0	0	18,485	18,485
Total Expenditure	847,423	(48,359)	119,795	12,881	931,740	69,692	1,001,432
(Surplus) or Deficit on the provision of services	218,874	(48,359)	256,570	0	427,085	(216,566)	210,519

Note 4 Other Operating Expenditure

2009/10 £000		2010/11 £000	Notes
2,064	Parish Council precepts	2,120	
1,833	Levies payable	2,265	
958	Payments to the Government Housing Capital Receipts Pool	842	
2,004	(Gain)/loss on disposal of non current assets	18,328	49
6,859	Total	23,555	

Note 5 Financing and Investment Income and Expenditure

2009/10 £000		2010/11 £000	Notes
32,783	Interest payable and similar charges	31,799	26
18,192	Pensions interest cost and expected return on pensions assets	13,107	19
(1,576)	Interest receivable and similar income	(261)	26
(73)	Net income/expenditure relating to Investment Properties	(35)	21
(2,073)	Surplus on Trading undertakings	(451)	6
47,253	Total	44,159	

Note 6 Surplus / Deficit on Trading Services, including dividends from companies

In accordance with the recommendations of CIPFA's Best Value Accounting Code of Practice (BVACOP) a number of trading accounts continue to be maintained by the Authority. The Council considers a trading operation exists where the service it provides is competitive i.e. the service user has the choice to use an alternative supplier than the Council and the Council charges the user on a basis other than a charge that equates to the costs of supplying the service.

The trading accounts operated by the Authority during the year are as follows:

2009/10 (Surplus) / Deficit £000		Expenditure £000	Income £000	2010/11 (Surplus) / Deficit £000
(285)	Construction, Street Cleansing and Landscaping	12,644	(12,398)	246
(344)	Vehicle Maintenance	1,428	(1,462)	(34)
(822)	Property Services – Fee-billing	2,911	(3,289)	(378)
5	Engineering – Fee-billing	1,341	(1,467)	(126)
(215)	Cleaning of buildings	5,110	(5,103)	7
117	Markets	1,127	(1,014)	113
(12)	Building Regulations Control	417	(369)	48
(581)	School Support Services	10,146	(10,473)	(327)
64	Rotherham Partnership	0	0	0
(2,073)	(Surplus) / Deficit	35,124	(35,575)	(451)

Rotherham Partnership ceased to be accounted for as a trading account at the end of 2009/10.

The net surplus for the year on traded services of £451k has not been allocated to specific services within the accounts, but forms part of the Council's Financing and Investment Income and Expenditure as disclosed in Note 5. The net surplus of £451k is after making a charge of £57k for FRS17 pension costs (2009/10 £877k credit).

The Council's traded services include:

Construction, Street Cleansing and Landscaping

Streetpride maintains over 680 miles of highways in a clean and safe condition for pedestrians, motorists, other road users and local communities.

Vehicle Maintenance

Management and policy of the Council's vehicle fleet and ensuring legislative standards are maintained.

Property Services – Fee Billing

Quantity surveyors, project managers, architects, valuers involved in the valuation and construction of new and existing Council buildings.

Engineering

Streetpride provides a design, inspection, assessment service and carries out engineering works to buildings, bridges, structures and highways.

Cleaning of Buildings

Facilities Services provides a cleaning service for schools and other premises owned by RMBC. This service is also utilised by the NHS in certain buildings.

Markets

The Council operates regular markets in Wath, Rawmarsh and Rotherham town centre.

Building Control

Building Control service begins at preplanning application stage and continues throughout the entire planning and construction process. Ultimately the Council aims to provide a service that will achieve a fast and trouble-free Building Regulation approval and a rapid response inspection process that will assist a project to fully comply with the Building Regulations when complete. From 1st January 2010 a new scheme of Building Regulation charges made under the Building (Local Authority Charges) Regulations 1998 has been adopted by the Council.

School Support Services

School support services provides catering, Information Technology Support, Human Resources support, training facilities and the provision of Supply staff to schools.

Note 7 Taxation and Non Specific Grant Income

2009/10 £000		2010/11 £000	Notes
93,981	Council Tax Income	96,075	
96,632	Non Domestic Rates Redistribution	107,702	
46,447	Non Ring-fenced government grants	43,941	8
57,570	Capital Grants and Contributions	36,562	8
294,630	Total	284,280	

Note 8 Analysis of grant income credited to the CIES and capital grant received in advance

The Council receives certain government grants which are not attributable to specific services. The amount of General Revenue Grants Credited to Taxation and Non Specific Grant Income was as follows:

2009/10 £000		2010/11 £000
22,304	Revenue Support Grant	15,639
15,378	Area Based Grant	20,269
8,033	PFI Grant	8,033
732	Other Non Specific Revenue Grants	0
46,447	Total	43,941

Capital Grants Credited to Taxation and Non Specific Grant Income

2009/10 £000		2010/11 £000
6,143	Department for Transport	1,314
0	HCA New Build Grant	6,568
7,829	Primary Care Trust	1,404
3,250	SY Integrated Transport Authority	1,670
1,519	Department for Children, Schools and Families	241
1,605	LAA Reward Grant	1,491
5,818	Department for CG	0
1,951	Regional Housing Board	1,373
1,317	Big Lottery Fund	0
2,249	Heritage Lottery Fund	0
9,702	Housing Market Renewal Pathfinder	3,452
1,485	Capital Modernisation Fund	0
8,170	Standards Fund	8,671
1,310	Surestart	1,474
0	Young People’s Learning Agency	1,162
5,222	Other Local Authorities and Partners	7,742
57,570		36,562

Significant Revenue Grants of more than £1m attributable to specific services and which have therefore been Credited to Cost of Services were as follows:

2009/10 £000		2010/11 £000
170,212	Dedicated Schools Grant (Note 16)	166,001
23,828	Standards Fund	24,202
87,620	Housing and Council Tax Benefit: subsidy	94,938
10,665	Sixth forms funding from Learning and Skills Council	18,777
9,287	Schools Standards Grant	9,201
8,922	Sure Start, Early Years and Childcare Grant	12,189
6,859	Supporting People Grant - Housing	0
1,834	Housing Benefit and Council Tax Benefit Administration	2,484
1,544	Asylum Seekers	739
1,252	Youth Offending Teams Grant	1,025
1,022	Social Care Reform	1,055
0	Inspire Rotherham / Young Enterprise Project	1,219
0	Enterprising Neighbourhoods / Future Jobs Fund	3,082

The Council has received a number of capital grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver if they are not applied for their intended purpose. The balance of capital grant received in advance at the year-end was as follows:

01 April 2009 £000	31 March 2010 £000		31 March 2011 £000
856	696	Section 106 Developer Contributions	466
4,439	38	PCT Contributions	0
0	532	DFT	0
0	516	Growth Fund	0
0	1,641	HCA New build Grant	0
488	733	Other Grants	0
5,783	4,156	Total	466

Section 106 Developer Contributions

Section 106 Developer Contributions are monies paid to the Council by developers as a result of the grant of planning permission where works are required to be carried out or new facilities provided as a result of that permission. The sums are restricted to being spent only in accordance with the agreement concluded with the developer.

The major balances of Section 106 receipts held by the Council at the end of the year and are as follows:

Restated 2009/10 £000		Income £000	Expenditure £000	2010/11 £000
67	Dinnington Colliery Site – Highways works	0	0	67
123	Culture and Leisure – General Fund	(9)	27	105
136	Other – General Fund	0	35	101
370	HRA	(61)	238	193
696	Total	(70)	300	466

Note 9 Acquired and discontinued operations

The Council did not acquire any new operations in either 2009/10 or 2010/11. All of the Council's income and expenditure relates to continuing operations.

Note 10 Agency Services

NHS Funded Nursing Care

The Council administers on behalf of NHS Rotherham the financial process/procedures relating to the payment of NHS funded nursing fees to nursing care providers, under Health Act flexibilities (section 256 of the NHS Act 2006). The agreement covers the fees for NHS funded nursing care, cost of incontinence products, administration costs and nursing cost of assessments. Any overspend against the approved budget will be recharged by the Council to NHS Rotherham, any underspend will be re-imbursed by the Council to NHS Rotherham.

The under / overspend in the current and previous year were as follows:

2009/10 £000		2010/11 £000
2,877	Gross income	2,375
(2,725)	Gross expenditure	(2,329)
152	Under / (over) spend	46

Note 11 Transport Act

Authorities are allowed to operate a road charging or workplace charging scheme under the Transport Act 2000. There is no such scheme in place in Rotherham.

Note 12 Pooled Budgets

The Council, through Adult Social Services, has three pooled budget arrangements with NHS Rotherham (formerly, Rotherham Primary Care Trust) to enable joint working under section 31 of the Health Act 1999 which has since been repealed and replaced for England by section 75 of the National Health Service Act 2006.

The first is for the provision of Intermediate Care services to provide a range of assessment, interim and nurse-led beds to facilitate earlier discharges from hospital. The second provides the full range of services for people with Learning Disabilities and is managed within a pooled budget. The Council acts as 'host' authority to both pooled arrangements.

The finance involved in the two arrangements where the Council acts as host is detailed as follows:

2009/10 £000	Intermediate Care	2010/11 £000
(1,385)	Funding from NHS Rotherham	(1,352)
(1,848)	RMBC (Adult Social Services) Contribution	(2,083)
(3,233)	Total Gross Income	(3,435)
1,339	NHS Expenditure	1,329
1,787	RMBC Expenditure	2,048
3,126	Total Gross Expenditure	3,377
(107)	Net surplus arising on the pooled budget during the year	(58)
(61)	RMBC share of the net surplus arising on the pooled budget	(35)

2009/10 £000	Learning Disability Services	2010/11 £000
(3,611) (27,861)	Funding from NHS Rotherham RMBC (Adult Social Services) Contribution	(3,727) (28,317)
(31,472)	Total Gross Income	(32,044)
3,205 27,272	NHS Expenditure RMBC Expenditure	3,576 27,774
30,477 (995)	Total Gross Expenditure Net surplus arising on the pooled budget during the year	31,350 (694)
(589)	RMBC share of the net surplus arising on the pooled budget	(543)

NHS Rotherham acts as a “host” for the third Pooled Budget where, from April 2004, it became lead provider for the provision of Integrated Community Equipment Service for the people of Rotherham.

2009/10 £000	Integrated Equipment Store	2010/11 £000
(960) (429)	Funding by NHS Rotherham RMBC (Adult Social Services) Contribution	(1,019) (442)
(1389)	Total Gross Income	(1,461)
1,163 429	NHS Expenditure RMBC Expenditure	1,107 442
1,592 203	Total Gross Expenditure Net deficit arising on the pooled budget during the year	1,549 88
0	RMBC share of the net deficit arising on the pooled budget	0

Note 13 Members’ Allowances

Members’ allowances and expenses during the year totalled £1,125,555 excluding Joint Authority allowances (2009/10 £1,134,838 excluding Joint Authority allowances). The employers’ pension contributions associated with these allowances was £64,690 (2009/10 £59,470). Detailed information about Members’ Allowances can be obtained from the Strategic Director of Finance, Council Offices, Doncaster Gate, Doncaster Road, Rotherham, S65 1DJ.

2009/10 £000		2010/11 £000
775 1 1 358	Basic allowance Travel Subsistence Special responsibility allowances	770 1 1 354
1,135 60	Total Members’ Allowances and Expenses Employer Pension Costs	1,126 65
1,195	Total	1,191

Note 14 Staff Remuneration

The Accounts and Audit Regulations 2011 require the disclosure of certain information relating to officers' emoluments. Details of the number of employees whose remuneration was £50,000 or more, expressed in bands of £5,000 is as follows:

2009/10			2010/11	
Restated Officers Total	Restated Teachers Total		Officers Total	Teachers Total
29	85	£50,000 - £54,999	46	65
13	50	£55,000 - £59,999	19	52
8	30	£60,000 - £64,999	16	31
5	11	£65,000 - £69,999	12	15
10	5	£70,000 - £74,999	10	12
1	2	£75,000 - £79,999	5	5
2	3	£80,000 - £84,999	5	0
1	0	£85,000 - £89,999	2	2
0	4	£90,000 - £94,999	0	2
0	1	£95,000 - £99,999	2	2
0	0	£100,000 - £104,999	1	0
0	1	£105,000 - £109,999	0	1
4	2	£110,000 - £114,999	4	1
0	0	£115,000 - £119,999	0	1
0	0	£120,000 - £124,999	0	1
0	0	£125,000 - £129,999	0	0
0	0	£130,000 - £134,999	1	0
0	0	£135,000 - £139,999	0	0
0	0	£140,000 - £144,999	0	0
0	0	£145,000 - £149,999	0	0
0	0	£150,000 - £154,999	0	0
0	0	£155,000 - £159,999	1	0
0	0	£160,000 - £164,999	0	0

In accordance with the Accounts and Audit Regulations 2011, Senior Officers Remuneration and Employers Pension Contribution for the Council are as follows:

Strategic Leadership Team Job Title/Employee	Total remuneration excluding employer pension contributions	Pension employer contribution	Total remuneration excluding employer pension contributions	Pension employer contribution
	2009/10 £	2009/10 £	2010/11 £	2010/11 £
M Cuff Chief Executive (refer to Note 1 below)	63,567.30	10,870.00	NIL	NIL
M Kimber Chief Executive (refer to Note 1 below)	69,247.30	11,841.29	159,999.96	27,360.00
M Gladstone Assistant Chief Executive Policy and Performance	86,805.22	14,133.71	86,787.04	14,130.59

Strategic Leadership Team Job Title/Employee	Total remuneration excluding employer pension contributions	Pension employer contribution	Total remuneration excluding employer pension contributions	Pension employer contribution
	2009/10 £	2009/10 £	2010/11 £	2010/11 £
P Howe Assistant Chief Executive Human Resources	82,842.70	14,166.11	82,873.54	14,171.38
T Mumford Assistant Chief Executive Legal and Democratic Services	82,704.92	14,142.56	£82,635.04	14,130.60
T Cray Strategic Director Neighbourhoods and Adults Services	113,384.04	19,388.64	113,384.04	19,388.64
K Battersby Strategic Director Environment and Development Services	113,384.04	19,388.64	113,384.04	19,388.64
A Bedford Strategic Director of Financial Services	113,384.04	19,388.64	113,384.04	19,388.64
J Thacker Strategic Director of Children and Young Peoples Services	113,384.04	19,388.64	113,384.04	19,388.64
Total	**838,703.60**	**142,708.23**	**865,831.74**	**147,347.13**

Note 1 M Cuff left the Post of Chief Executive with effect from 21 August 2009.

Note 2 The Returning Officer Fees below are not included in the Chief Executive's Remuneration and the amounts disclosed are before the deduction of Tax and NI:

Local Elections		£
May 2010 Aug 2010	Ordinary Elections (21 wards) By-election (1 ward - Sitwell)	9,639 459
Parliamentary Elections		
May 2010 May 2010 May 2010	Rotherham Constituency Rother Valley Constituency Wentworth & Dearne Constituency	3,325 3,788 3,786

Note 3 The number of employees whose remuneration was £50,000 or more includes a number of staff, who have been given approval to leave the Council under the terms of its Voluntary Severance arrangements (that is Voluntary Early Retirement, Voluntary Redundancy, Phased Retirement and Redeployment) during 2010/11 and this has resulted in these staff falling into higher banding brackets than normal.

Note 15 External Audit Fees

The Authority incurred the following fees relating to external audit and inspection:

2009/10 £000		2010/11 £000
330	Fees payable to KPMG with regard to external audit services carried out by the appointed auditor	345
17	Fees payable to Audit Commission in respect of statutory inspection	0
100	Fees payable to KPMG for the certification of grant claims and returns	100
0	Fees payable in respect of other services provided by the appointed auditor	0
447	Total	445

Note 16 Dedicated Schools Grant

The Council receives a specific grant from the Department for Children, Schools and Families – the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget as defined in the School Finance (England) Regulations (2008). The Schools Budget includes a range of educational services provided on an authority(wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school. Over and under-spends on the two elements are required to be accounted for separately.

Details of the deployment of DSG are as follows:

2009/10			Schools Budget Funded by DSG	2010/11		
Central Expenditure £000	Schools Expenditure £000	Total £000		Central Expenditure £000	Schools Expenditure £000	Total £000
		170,212	Final DSG for the year			166,001
		383	Brought forward from previous year			(62)
		0	Carry forward to next year agreed in advance			0
13,368	157,227	170,595	Agreed budgeted distribution	14,499	151,440	165,939
13,514			Actual Central Expenditure for the year	14,591		
	157,143		Actual ISB deployed to Schools		151,440	
0	0	0	Local Authority Contribution for the year	0	0	0
(146)	84	(62)	Carry forward to next year (including carry forward agreed in advance)	(92)	0	(92)

Note 17 Related Party Transactions

A body or individual is a related party of the Council if the body or individual has the potential to control or significantly influence the Council's operating or financial decisions or the Council is able to control or exert a significant influence over the operating or financial decisions of the other body. Disclosure of related party transactions is required when material to either party to the extent that they are not disclosed elsewhere in the accounts.

The power to control or significantly influence may come about due to member or officer representation on other organisations, central government influence, relationships with other public bodies or assisted organisations to whom financial assistance is provided on terms which enable the Council to direct how the other party's financial and operating policies should be administered and applied. The fact that a voluntary organisation might be economically dependent on the Council does not in itself create a related party relationship.

Subsidiaries

2010 Rotherham Ltd

In November 2004 the Council established 2010 Rotherham Ltd, a company limited by guarantee. 2010 Rotherham Limited has since 19 May 2005, been responsible for the management, repair and improvement of the Council's housing stock. It has also carried out repairs and maintenance of other Council properties.

As explained in the Explanatory Foreword, following the outsourcing of the repairs and maintenance side of the business on 1 November 2010 and the decision of the Council on 23 February 2011 to bring the management of Council Housing back under the direct control of the Council the company has elected to cease trading when the management agreement expires on 30th June 2011.

In accordance with the terms of the management agreement, the assets and liabilities of 2010 Rotherham will transfer to the Council when 2010 Rotherham is wound up. As the decision to bring the housing management function back in house was taken before the end of the 2010/11 financial year the assets and liabilities reported in 2010 Rotherham's accounts for the year ended 31 March 2011 have been recognised in the Council's own accounts as follows:

- Net trading liabilities of the company as at 31 March 2011 (£3.272m)
- Pension strain costs (£0.633m)
- FRS 17 pensions liability (£5.430m)

The financial performance and position of the company reported in its draft accounts for the year ended 31 March 2011 is as follows:

31 March 2010 £000		31 March 2011 £000
34,012	Turnover	23,055
11,582	Profit/(Loss) before taxation	(11,421)
11,573	Profit/(Loss) after taxation	(11,407)
(2,375)	Net (Liabilities) / Assets	(3,272)

The company's turnover includes a fee for managing the Council's housing stock of £9.688m (£11.990m 2009/10) and charges to the Council for repairs and maintenance of £13.108m (£21.891m 2009/10)

The results of 2010 Rotherham Ltd have been consolidated in the Group Accounts Statements on Page 117.

Joint Ventures and Associates

(i) RBT (Connect) Limited

On 17 April 2003 the Authority signed a strategic partnership deal with BT, forming a company, RBT (Connect) Ltd. The Authority has a 19.9% share holding in the Company.

The aim of the partnership is to help the Authority to refocus and revitalise its method of service delivery to its customers and to help support the high level of investment required. The Partnership covers the provision of ICT, Rotherham Connect, Revenues and Benefits, Procurement and the Human Resources and Payroll service.

As explained in the Explanatory Foreword the Council took a decision on 8 June 2011 to seek early completion of the partnership and conclude the work of the joint venture.

The financial performance and position of the company reported in its draft accounts for the year ended 31 March 2011 is as follows:

31 March 2010 £000		31 March 2011 £000
30,534	Turnover	29,320
41	Profit/(Loss)	51
30	Profit/(Loss) after taxation	37
74	Net Assets	111

During the financial year RBT (Connect) Ltd provided services worth £29.320m (2009/10 £30.534m) to the Council. At the 31 March 2011 a sum of £2,213,370 (£4,536,618 2009/10) was payable by RBT (Connect) Ltd to the Council and £2,984,844 (£2,349,930 2009/10) was owed from the Council to RBT (Connect) Ltd.

(ii) Digital Region Ltd

Digital Region Ltd is a joint venture whose members comprise Rotherham Metropolitan Borough Council, Sheffield City Council, Barnsley Metropolitan Borough Council, Doncaster Metropolitan Borough Council and Yorkshire Forward.

The purpose of the company is to manage and operate a next generation broadband infrastructure in the South Yorkshire region and to undertake the promotion of the network to the service provider market.

The share capital of the company comprises 1,500 class A shares of £1 each and 70 class B shares of £1 each. The A shares are non equity shares which determine voting rights. The B shares confer entitlement to profits and losses.

The Council's Shareholding comprises 10% of the company's 'A' shares and 8.57% of the company's 'B' shares.

The financial performance and position of the company reported in its draft accounts for the year ended 31 March 2011 is as follows:

31 March 2010 £000		31 March 2011 £000
0	Turnover	167
(583)	Profit/(Loss)	(9,303)
(840)	Profit/(Loss) after taxation	(9,244)
(838)	Net (Liabilities) / Assets	(10,082)

As at 31 March 2011, the Council had advanced £0.136m of a £2m loan facility. The facility represents the Council's contribution towards the overall funding package for the deployment of the Digital Region broadband network. The facility is interest bearing and will be repaid when the company earns sufficient profits.

(iii) BDR Property Limited (formerly Arpley Gas Limited)

With effect from 16th March 2008 Arpley Gas Ltd became BDR Property Ltd., a company set up under the Environment Protection Act 1990 by Rotherham, Barnsley and Doncaster Metropolitan Borough Councils and the Waste Recycling Group Ltd. The company was set up for the purpose of carrying out waste disposal work and civic amenity site management. Its principal activity is management of the Thurcroft landfill site.

The share capital of the company is as follows:

Authorised and fully paid up Share Capital £1.850 million

Council's Shareholding:

a) For voting purposes – the Company's shares are divided into 'A' shares and 'B' Shares. The 1,998 'A' shares comprise 20% of the total voting shares. One third of these 'A' shares are held by the Council (666 shares costing £6.66). Barnsley and Doncaster Metropolitan Borough Councils have similar share holdings, so that collectively the Councils hold 20% of the total voting shares. These are non-equity shares.

b) For dividend purposes – the Council holds 3.5% (63,421 shares) of the company's £1 class 'C' shares – no voting rights are attached to these shares.

c) For winding up purposes – the Council holds 12,500 £1 deferred shares which is one third of the total. These shares are ranked after the other 3 classes of shares (A, B and C) and payment will only be made should funds remain available for distribution after meeting the entitlements of the other groups of shareholders. No voting rights are attached to these shares.

At the time of publication of this Statement, accounts for the company for the year ended 31 December 2010 were unavailable and the following details are the most up to date available.

31 December 2008 £000		31 December 2009 £000
3	Turnover	4
(47)	Profit/(Loss)	(72)
(47)	Profit/(Loss) after taxation	(72)
5,047	Net Assets	4,975

No contributions to running costs were made by Rotherham MBC to BDR Property Limited during the financial year ended 31 March 2011.

(iv) Building Learning Communities Ltd

Building Learning Communities Ltd was incorporated on 14 December 2004. Its principal activities are enhancing the accommodation and facilities available in school premises, and promoting the community use of those facilities.

The company is comprised of three members, Rotherham MBC, Transform Schools (Rotherham) Ltd and Rotherham Primary Care Trust. There is no controlling party, the Company being Limited by Guarantee and not having any shares or shareholders.

No contributions to running costs were made by Rotherham MBC to Building Learning Communities Ltd during the financial year ended 31 March 2009.

At the time of publication of this Statement, accounts for the company for the year ended 31 March 2011 were unavailable and the following details are the most up to date available.

31 March 2009 £000		31 March 2010 £000
234	Turnover	234
35	Profit/(Loss)	(16)
35	Profit/(Loss) after taxation	(16)
32	Net Assets	16

During the financial year ended 31 March 2011 Building Learning Communities Ltd provided services to the Council to the value of £13,139 (2009/10 £12,926) and incurred charges from the Council to the value of £91,311 (2009/10 £47,495).

A copy of the accounts of the company may be obtained from Mr I Gledhill, Civic Buildings, Walker Place, Rotherham, S60 2AJ.

(v) Groundwork Cresswell, Ashfield and Mansfield Trust

Creswell Groundwork Cresswelll, Ashfield and Mansfield Trust is a charity and a company limited by guarantee. The members of the company, whose liability is limited to £1, are the Federation of Groundwork Trusts, Derbyshire County Council, Bolsover District Council, Bassetlaw District Council and Rotherham Metropolitan Borough Council.

The company's principal activities are the promotion of conservation, protection and improvement of the physical and natural environment, to provide facilities in the interests of social welfare and to advance public education.

At the time of publication of this Statement, accounts for the company for the year ended 31 March 2011 were unavailable and the following details are the most up to date available.

Restated 31 March 2009 £000		31 March 2010 £000
3,881	Turnover	3,400
(42)	Surplus/(Deficit) for the year	(24)
762	Net Assets	738

Rotherham Metropolitan Borough Council's contribution to the company during 2010/11 was nil (2009/10 £3,165).

During the financial year ended 31 March 2011 Creswell Groundwork Trust provided no services to the Council (nil 2009/10) and incurred charges of £41,131 from the Council (nil 2009/10).

A copy of the accounts of the company may be obtained from Mr TM Witts, 96 Creswell Road, Clowne, Chesterfield S43 4NA.

(vii) Groundwork Dearne Valley Limited

Groundwork Dearne Valley is a company limited by guarantee. The members of the company, whose liability is limited to £1, are the Federation of Groundwork Trusts, Barnsley Metropolitan Borough Council, Doncaster Metropolitan Borough Council and Rotherham Metropolitan Borough Council.

The board comprises of five directors appointed by members, with the Council able to nominate one, and up to six co-opted directors.

The principal activity of the company is to complement the work of the three Local Authority members in carrying out environmental regeneration by involving local residents in the long-term management of their environment, attracting funding in the area to carry out the work, and developing innovative approaches to regeneration.

At the time of publication of this Statement, accounts for the company for the year ended 31 March 2011 were unavailable and the following details are the most up to date available.

Restated 31 March 2009 £000		31 March 2010 £000
1.219	Turnover	1,047
(6)	Surplus/(Deficit) for the year	(181)
192	Net Assets	11

Rotherham Metropolitan Borough Council's contribution to the company during 2010/11 was £80,000 (2009/10 £88,218).

During the financial year ended 31 March 2011 Groundwork Dearne Valley Limited continued to receive payroll services from the Council and provided services to the Council to the value of £172,329 (2009/10 £85,676) and incurred charges from the Council to the value of £1,114,892 (2009/10 £1,135,057).

A copy of the accounts of the company may be obtained from the Borough Secretary, Barnsley MBC Legal Department, Westgate Plaza 1, Barnsley S70 2DR.

(viii) Magna Trust

Magna Trust is a company limited by guarantee. The members of the company are Rotherham MBC, The Stadium Group and Rotherham Chamber of Commerce. Its principal objects are to provide facilities for recreational and other leisure time occupation for the public at large in the interests of social welfare and to preserve buildings of historical importance to British industry.

At the time of publication of this Statement, accounts for the company for the year ended 31 March 2011 were unavailable and the following details are based on the company's accounts for the year ending 31 March 2010.

31 March 2009 £000		31 March 2010 £000
3,628	Turnover	3,068
(1,682)	Surplus/(Deficit) for the year	(1,990)
20,702	Net Assets	18,712

During the financial year ended 31 March 2011, the company provided services to the Authority to the value of £88,756 (2009/10 £62,266). A loan for £300,000 was issued to Magna Trust in 2006/07 and of this £215,000 was still outstanding as at 31 March 2011. A one year loan for £150,000 was issued in 2009/10 and was repaid in September 2010. A further loan of £150,000 was issued in 2010/11 and was outstanding as at 31 March 2011. Magna incurred charges from the Council of £28,204 (2009/10 £13,119).

A copy of the accounts can be obtained from Mr P. N. Firth, Magna, Sheffield Road, Templeborough, Rotherham, S60 1DX.

(ix) <u>The Northern College for Residential Adult Education Limited</u>

The Northern College for Residential Adult Education Limited was set up in 1978, by a consortium of local authorities and trade unions to provide long term residential education for adults. The company previously comprised six full members, the local authorities of Barnsley, Doncaster, Rotherham, Sheffield and Leeds, and the trade union UNISON. Bradford City Council and Kirklees MDC were associate members.

The College Company has been reconstructed and from 1 April 2001 all members of the Board of Governors of the College constitute the Company.

The mission of the company includes: 'To provide high quality learning experiences for adults who have had little or no opportunity for education and training.'

The latest results available for the Northern College are for the year ended 31 July 2010 and are as follows:

31 July 2009 £000		31 July 2010 £000
5,636	Income	5,329
(28)	Surplus/(Deficit) for the year	107
429	Net Assets	803

Rotherham MBC made no contribution towards the running costs of the company during 2010/11 (2009/10 £20,000).

During the financial year ended 31 March 2011, the company provided services to the Council of £38,533 (2009/10 nil) and incurred no charges from the Council (2009/10 nil).

A copy of the accounts can be obtained from The Principal, The Northern College for Residential Adult Education Limited, Wentworth Castle, Stainborough, Barnsley S75 3ET.

(x) <u>Phoenix Enterprises (Rotherham) Ltd</u>

This company commenced trading on 1 June 1998 and its principal activity is "the management and delivery of the New Deal initiative in Rotherham and North Derbyshire, and the development of community and social enterprise in Rotherham".

Phoenix Enterprises (Rotherham) is a company limited by guarantee. It has three members: - Rotherham Chamber of Commerce, Lifetime Careers and Rotherham Metropolitan Borough Council.

At the time of publication of this Statement, accounts for the company for the year ended 31 March 2011 were unavailable and the following details are the most up to date available.

31 March 2009 £000		31 March 2010 £000
1,537	Turnover	1,549
(73)	Profit/(Loss)	237
(77)	Profit/(Loss) after taxation	221
842	Net Assets	1,062

Rotherham Borough Council's grants to and payments for services provided by the company during 2010/11 was £2,452,362 (2009/10 £486,521), and incurred charges fro the Council to the value of £2,816 (2009/10 £1,846).

A copy of the accounts of the company may be obtained from the company at the Head Office, Old Vicarage Lane, All Saints Church Yard, Vicarage Lane, Rotherham, S65 1AA.

(xi) Rotherham Renaissance Limited

Rotherham Renaissance is a private company limited by shares formed on 21 September 2005, since when it has remained dormant.

The company was formed as a vehicle for future regeneration activities.

The authorised share capital is 1,000 £1 shares of which one share has been issued and is held by the Council.

No accounts have been or will be prepared for the period 21 September 2005 to 31 March 2009 or for the year to 31 March 2011.

(xii) YHGfL Foundation

YHGfL Foundation was incorporated on 9 December 2002 and is a company limited by guarantee. Its membership comprises Rotherham MBC, Calderdale MBC, Doncaster MBC, East Riding of Yorkshire Council, Kingston upon Hull CC, Kirklees MBC, Leeds CC, North East Lincolnshire Council, North Lincolnshire Council, North Yorkshire County Council, Sheffield CC, Wakefield City MDC.

At the time of publication of this Statement, accounts for the company for the year ending 31 March 2011 were unavailable and the following details are the most up to date available.

31 March 2009 £000		31 March 2010 £000
2,876	Turnover	2,488
12	Profit/(Loss)	3
(6)	Profit/(Loss) after taxation	(5)
(83)	Net Assets / Liabilities	(547)

Rotherham MBC did not make a direct contribution to the running costs of this company during 2010/11.

During the financial year ended 31 March 2011, the company provided services to the Authority to the value of £511 (2009/10 £72,586) and incurred no charges from the Council (2009/10 nil).

A copy of the accounts of the company may be obtained from the company at Normanby Gateway, Normanby Enterprise Park, Lysaghts Way, Scunthorpe, North Lincolnshire, DN15 9YG.

(xiii) Yorkshire Purchasing Organisation

The Yorkshire Purchasing Organisation (YPO) was established in 1974 to fulfil the supplies requirements of a number of local authorities. Rotherham is one of thirteen local authority members.

At the time of publication of this Statement, accounts for the company for the year ending 31 December 2010 were unavailable and the following details are the most up to date available.

31 December 2008 £000		31 December 2009 £000
98,314	Turnover	101,997
5,546	Surplus/(Deficit) for the year	3,914
18,340	Net Assets	6,189

Rotherham MBC did not make a direct contribution to the running costs of this company during 2010/11.

During the financial year ended 31 March 2011, the company provided services to the Council to the value of £775,440 (2009/10 £2,102,604) and incurred no charges (2009/10 £100).

A copy of the accounts of the company may be obtained from Unit 41, Industrial Park, Wakefield, WF2 0XE.

Other Related Parties

The following table discloses material transactions between the Council and other related parties

2009/10 £	Related Parties	Nature of Transactions	2010/11 £
	Assisted Organisations		
232,619	Citizens Advice Bureau	Grant, fees and charges	300,726
10,000	Coalfields Communities Campaign	Subscription	0
25,718	Dinnington Resource Centre	Grant, fees and charges	44,521
92,160	Full Life Christian Centre	Grant, fees and charges	41,303
93,156	Get Sorted Academy of Music	Grant, fees and charges	66,301
153,073	Rotherham Advocacy Partnerships	Fees and charges	156,779
12,485	Rotherham Disability Information Services	Fees and charges	0
52,320	Rotherham Diversity Forum	Grant and Charges	24,160
74,313	Rotherham Ethnic Minority Alliance Ltd	Grant and Charges	57,568
653,259	Rush House Project Ltd	Fees and charges	738,636
4,450	Sheffield Wildlife Trust	Fees and charges	8,867
5,650	Tassibee Project	Grant, fees and charges	43,635
99,065	United Multicultural Centre Ltd	Grant, fees and charges	63,278
13,114	Yemeni Community Association	Grant and Charges	0

2009/10 £	Related Parties	Nature of Transactions	2010/11 £
	Member Related		
17,013	Age Concern Rotherham Ltd	Fees and charges	93,411
13,277	Home-Start Rotherham	Grant and charges	28,300
16,251	Rotherham Advice & Information Network	Grant, fees and charges	2,859
5,480	Rotherham Arts	Grant and subscriptions	5,480
317,468	Rotherham Mind	Grant, fees and charges	628,210
48,777	Rotherham Rugby Union Football Club Ltd	Fees and charges	0
364,292	Rotherham Women's Refuge	Grant, fees and charges	357,555
63,790	Safe At Last	Grant, fees and charges	62,685
89,765	Swinton Lock Activity Centre	Grant, fees and charges	81,546
27,328	Thomas Rotherham College	Fees and charges	2,707,073
1,175,271	Voluntary Action Rotherham	Grant, fees and charges	746,830
990,007	Waste Recycling Ltd	Charges	914,228
	Officer Related Organisations		
4,323	Churches Together in Rotherham	Passported donations	2,401
71,796	FACE Advice Centre	Grant, fees and charges	0
112,264	GROW	Grant, fees and charges	130,858
56,553	Kiveton Park Independent Advice	Grant	51,431
181,368	Rotherham Chamber of Commerce	Grant, fees and charges	0
491,472	Rotherham College of Arts and Technology	Grant, fees and charges	4,654,618
69,549	Rotherham NHS Foundation Trust	Fees and charges	65,580
50,024	South Yorkshire Funding Advice	Grant	51,024
	Other Related Organisations		
18,367,021	ITA Integrated Transport Authority / Executive	Levy, fees and charges	19,245,029
59,711	The Environment Agency	Levy, fees and charges	76,241

Note 18 Termination Benefits

As part of the rationalisation of Council services, some 483 employees have been given approval to leave the Council under the terms of its Voluntary Severance arrangements (that is Voluntary Early Retirement, Voluntary Redundancy, Phased Retirement and Redeployment) during 2010/11.

The liabilities incurred as a result of the early termination of employees in 2010/11 totalled £7.6m - composed of severance payments of £6.4m and £1.2m in pensions strain costs. The Council has received capitalisation directions from the DCLG enabling £1.2m of the severance costs and £0.9m of the pension strain costs to be funded from capital resources in 2010/11.

A further £2.4m of pension strain costs will be paid over to the South Yorkshire Local Government Pension Scheme in 2011/12 and 2012/13 as they fall due and become chargeable to revenue.

Note 19 Pensions

The Council participates in two separate pension schemes relating to Teachers and Other Employees. Both schemes require contributions from both the employer and the employee, and provide members with benefits calculated by reference to pay levels and length of service.

With effect from 1 July 2011, 2010 Rotherham Ltd. the Arm's Length Management Organisation (ALMO) responsible for managing Rotherham MBC's Council housing, will return to direct Council control and the company will be wound up. Responsibility for the pensions provision for 2010 Ltd's staff will also return to the Council. As a consequence the

Council has recognised 2010 Rotherham Ltd's pensions liability at 31 March 2011 of £5.43m within its annual accounts.

The following disclosure relates to the Council's pensions liability and includes at summary level only the effect of recognising the pension liability of 2010 Rotherham Ltd. Disclosure relating to 2010 Rotherham Ltd's liability can be seen in the company's 2010/11 accounts a copy of which can be obtained from the company's registered office.

(a) Teachers

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Teachers' Pension Agency (TPA). It provides teachers with defined benefits upon their retirement, and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

Although the scheme is unfunded, the TPA uses a notional fund as the basis for calculating the employer's contribution rate paid by Local Education Authorities (LEAs). However it is not possible for the Authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this Statement of Accounts it is therefore accounted for on the same basis as a defined contribution scheme.

During 2010/11 the Authority paid employer's contributions calculated at 14.1% amounting in total to £12.871m (2009/10 £13.456m).

The total contributions expected to be made in the Teachers' Pension Scheme by the Council in the year to 31 March 2012 is £12.2m.

The Authority is responsible for the cost of any additional benefits awarded upon early retirement outside of the terms of the Teachers' scheme. None were approved in 2010/11.

(b) Other Local Government Employees

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits through its participation in the Local Government Pension Scheme, administered by the South Yorkshire Pensions Authority. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments and this needs to be disclosed at the time that employees earn their future entitlement.

The Authority is able to identify a share of the underlying liabilities in the scheme attributable to its own employees and accordingly accounts for post employment benefits as a defined benefit scheme in accordance with the requirements of IAS19. Accordingly, the Authority recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, the charge the Authority is required to make against Council Tax is based on the cash payable in the year, so the IAS 19 cost of retirement benefits is reversed out through the Movement in Reserves Statement and replaced by the actual contributions payable in the year.

During 2010/11 the Council paid employer's superannuation contributions calculated at 16.8% amounting to £23.011m.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 is £23.2m.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the adjustments between accounting basis & funding basis under regulations line, in the Movement on Reserves Statement during the year:

2009/10 £000		2010/11 £000
	Net Cost of Services	
(13,126)	- Current Service Cost	(21,228)
(428)	- Past Service (Council)	52,870
0	- Past Service (ALMO)	(5,430)
0	- Curtailment Cost	(2,383)
	Net Operating Expenditure	
(1,459)	- Current Service Cost – Trading Services	(2,359)
(45,097)	- Interest Cost	(50,080)
26,905	- Expected Return on Assets in the Scheme	36,973
	Amounts to be met from Government Grants and Local Taxation:	
8,268	- Movement of Pensions Reserve (Council)	(39,076)
0	- Movement of Pensions Reserve (2010 Rotherham Ltd)	5,430
	Actual amount charged against Council Tax for pensions in the year:	
(24,937)	- Employer's contributions payable to Scheme	(25,283)

In addition to the recognised gains and losses included in the CIES, actuarial gains of £34.102m (£102.340m loss in 2009/10) were included in other comprehensive income and expenditure in the CIES.

Assets and liabilities in relation to retirement benefits

The change in Benefit Obligations for the year ended 31 March 2011 is as follows:

2009/10 Unfunded £000	2009/10 Funded £000		2010/11 Unfunded £000	2010/11 Funded £000
(17,490)	(619,203)	Benefit Obligation at beginning of period	(20,897)	(873,082)
0	(13,126)	Current Service Cost	0	(21,228)
0	(1,459)	Trading Services	0	(2,359)
(1,197)	(43,900)	Interest on Pension Liabilities	(1,135)	(48,945)
0	(8,783)	Member Contributions	0	(8,654)
0	0	Past Service Cost	1,074	51,796
(3,471)	(211,349)	Actuarial gains/(loss) on liabilities	223	43,730
0	(428)	Curtailments	0	(2,383)
1,261	25,166	Benefits/Transfers paid	1,247	30,376
(20,897)	(873,082)	Benefits Obligation at end of period	(19,488)	(830,749)

Note: Compensatory Added Years' benefits which are recharged to the employer have been included in the liabilities figure for the purpose of FRS 17 calculations.

In the UK Budget Statement of 22 June 2010 the Chancellor announced that, with effect from 1 April 2011, public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has the effect of reducing the Council's liabilities in the South Yorkshire Pensions Fund by £52.9m and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48 since the change is considered to be a change in benefit entitlement.

The change in Plan Assets during the year ended 31 March 2011 is as follows:

2009/10 Unfunded £000	2009/10 Funded £000		2010/11 Unfunded £000	2010/11 Funded £000
0	436,055	Fair Value of Plan Assets at beginning of period	0	582,733
0	26,905	Expected return on Plan Assets	0	36,973
0	112,480	Actuarial gains/(losses) on Assets	0	(9,851)
1,261	23,676	Employer contributions	1,247	24,036
0	8,783	Member contributions	0	8,654
(1,261)	(25,166)	Benefits/transfers paid	(1,247)	(30,376)
0	582,733	Fair Value of Plan Assets at end of period	0	612,169

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest instalments are based on gross redemption yields as at the Balance Sheet date. The expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £52.549m (£139.385m 2009/10).

Analysis of the Fair Value of Plan Assets as at 31 March 2011

	31 March 09 £000	31 March 10 £000	31 March 11 £000
Equity investments	260,761	376,445	412,601
Bonds	107,269	135,777	133,453
Property	46,658	53,029	59,993
Cash	21,367	17,482	6,122
	436,055	582,733	612,169

The above asset values are at bid value as required by IAS19.

The Council's share of the Net Pension Liability (included in the Balance Sheet):

	31 March 09 £000	31 March 10 £000	31 March 11 £000
Fair Value of Employer Assets	436,055	582,733	612,169
Present value of funded liabilities	(619,203)	(873,082)	(830,749)
Net (under)/over funding in Funded Plans	(183,148)	(290,349)	(218,580)
Present Value of Unfunded Liabilities	(17,490)	(20,897)	(19,488)
Net Asset/(Liability)	(200,638)	(311,246)	(238,068)
Amount in the Balance sheet:			
Council:			
Liabilities	(636,693)	(893,979)	(850,237)
Assets	436,055	582,733	612,169
Net Asset / Liabilities	(200,638)	(311,246)	(238,068)
2010 Rotherham Ltd:			
Liabilities	0	0	(40,198)
Assets	0	0	34,768
Net Asset/(Liability)	(200,638)	(311,246)	(243,498)

Scheme History

The underlying assets and liabilities for retirement benefits attributable to the Authority at 31 March are as follows:

	Restated 2006/07 £m	Restated 2007/08 £m	2008/09 £m	2009/10 £m	2010/11 £m
Present Value of Benefit Obligations	(680.2)	(750.0)	(636.7)	(893.9)	(850.2)
Fair Value of Assets	522.1	517.5	436.1	582.7	612.2
Surplus/(Deficit)	(158.1)	(232.5)	(200.6)	(311.2)	(238.0)

The actuarial gains identified as movements on the Pensions Reserve 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011.

Amount recognised in Other Comprehensive Income and Expenditure:

	31 March 07 £000	31 March 08 £000	31 March 09 £000	31 March 10 £000	31 March 11 £000
Actuarial gains/(losses)	40,312	(68,880)	42,171	(102,340)	34,102
Actuarial gains/(losses) recognised in Other Comprehensive Income and Expenditure	40,312	(68,880)	42,171	(102,340)	34,102
Cumulative actuarial gains and losses	0	(68,880)	(26,709)	(129,049)	(94,947)

History of experience gains and losses

Experience gains and (losses) on assets	4,413	(46,372)	(124,436)	112,480	(9,851)
Experience gains and (losses) on liabilities	0	(9,721)	0	0	28,011

The liabilities show the underlying long term commitments of the Authority to pay retirement benefits. The Council's Pension liability of £238.1m together with the 2010 Rotherham Ltd's liability of £5m has a significant impact on the net worth of the Authority. As shown in the balance sheet the combined liability of £243m has reduced the Council's net worth to £338m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy as the deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Fund's liabilities have been assessed by Mercer Human Resource Consulting Ltd, an independent firm of actuaries.

Assets in the South Yorkshire Pension Fund are valued at fair value, which in line with the requirement of the SORP is principally realisable or bid value for investments, and consist of the following categories, by proportion of the total assets held by the Fund.

Rate of Return on Assets

Part of the way that the pensions liabilities are expected to be financed is through investment returns. This is allowed for in the FRS17 figures, and typically an investment return of about 9.0% (net of expenses) on the existing assets had been anticipated for 2010/11. This figure may vary from year to year depending on the assumptions made and the underlying distribution of the Fund's assets.

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011.

	31 March 07 %	31 March 08 %	31 March 09 %	31 March 10 %	31 March 11 %
Experience (gains and (losses) on Assets	0.85	(8.96)	(28.54)	19.30	(1.61)
Experience gains and (losses) on liabilities	0.00	1.30	0.00	0.00	(3.29)

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rate, salary levels, etc. The Council Fund liabilities have been assessed by Mercer Human Resources Ltd, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as at 1 April 2010.

The principal assumptions used by the actuary have been:

2009/10		2010/11
	Long-term expected rate of return on assets in the scheme:	
7.5%	Equity investments	7.5%
4.5%	Government Bonds	4.4%
5.2%	Bonds	5.1%
6.5%	Property	6.5%
0.5%	Cash/liquidity	0.5%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
20.4 years	Men	21.4 years
23.2 years	Women	24.1 years
	Longevity at 65 for future pensioners:	
21.3 years	Men (in 20 years time)	22.8 years
24.1 years	Women (in 20 years time)	25.7 years
3.3%	Rate of inflation	3.4%
2.8%	Rate of CPI inflation	2.9%
4.8%	Rate of increase in salaries	4.65%
3.3%	Rate of increase in pensions	2.9%
5.6%	Rate for discounting scheme liabilities	5.5%
50.0%	Take-up of option to convert annual pension into retirement lump sum (50% to take maximum cash – 50% to take 3/80th cash)	50.0%

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 09 %	31 March 10 %	31 March 11 %
Equity investments	59.8	64.6	67.4
Bonds	24.6	23.3	21.8
Property	0.0	0.0	9.8
Cash	15.6	12.1	1.0
	100.0	100.0	100.0

The South Yorkshire Pensions Authority, on behalf of its member Authorities, commissioned the actuary, Mercer Human Resource Consulting Ltd to produce the requisite information in relation to the Local Government Superannuation Scheme.

Further information in relation to the Local Government Superannuation Scheme can be found in the South Yorkshire Pension Fund Annual Report which is available upon request from the Superannuation Manager, South Yorkshire Joint Secretariat, Regent Street, Barnsley.

Note 20 Property, Plant and Equipment

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	PP&E Under Construction £000	Surplus Assets £000	Total PP&E £000
Cost or Valuation								
At 1 April 2009	**736,570**	**591,703**	**11,403**	**73,127**	**1,764**	**29,561**	**25,880**	**1,470,008**
Additions	66,096	27,061	3,067	6,016	1,160	46,467	1,470	151,337
Accumulated Depreciation and Impairment written out to gross cost/valuation	(18,985)	(16,075)	0	0	(1)	0	(6)	(35,067)
Revaluation increases/decreases to Revaluation Reserve	(180)	23,556	0	0	19	0	(455)	22,940
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(472)	(38,097)	0	0	0	0	(39)	(38,608)
Derecognition - Disposals	(1,341)	(1,163)	(29)	0	(240)	0	(1,353)	(4,126)
Derecognition – Other	0	(7,029)	0	0	0	0	(485)	(7,514)
Reclassified to/from Held for Sale	0	0	0	0	0	0	(982)	(982)
Reclassified to/from Investment Properties	0	(230)	0	0	0	0	0	(230)
Other Movements in cost valuation	(390)	23,627	0	8,391	263	(36,243)	5,243	891
At 31 March 2010	**781,298**	**603,353**	**14,441**	**87,534**	**2,965**	**39,785**	**29,273**	**1,558,649**
Depreciation and Impairment								
At 1 April 2009	**(18,985)**	**(28,127)**	**(6,498)**	**(11,419)**	**(4)**	**(0)**	**(4)**	**(65,037)**
Accumulated Depreciation and Impairment written out to gross cost/valuation	18,985	16,075	0	0	1	0	6	35,067
Depreciation Charge	(16,520)	(11,944)	(1,406)	(1,873)	(3)	0	(146)	(31,892)

Impairment losses/reversals to Revaluation Reserve	(9,283)	(7499)	0	0	0	0	(370)	(17,152)
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	(56,918)	(46,220)	(21)	(238)	(1,438)	0	(2,305)	(107,140)
Derecognition – Disposals	40	569	26	0	0	0	0	635
Derecognition – Other	0	7,029	0	0	0	0	485	7,514
Reclassified to/from Held for Sale	0	0	0	0	0	0	470	470
Reclassified to/from Investment Properties	0	13	0	0	0	0	0	13
Other movements in depreciation and impairment	0	318	0	0	0	0	(318)	0
At 31 March 2010	**(82,681)**	**(69,786)**	**(7,899)**	**(13,530)**	**(1,444)**	**0**	**(2,182)**	**(177,522)**
Net Book Value								
At 31 March 2010	**698,617**	**533,567**	**6,542**	**74,004**	**1,521**	**39,785**	**27,092**	**1,381,127**
At 31 March 2009	**717,585**	**563,576**	**4,905**	**61,708**	**1,760**	**29,561**	**25,876**	**1,404,971**

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	PP&E Under Construction £000	Surplus Assets £000	Total PP&E £000
Cost or Valuation								
At 1 April 2010	**781,298**	**603,353**	**14,441**	**87,534**	**2,965**	**39,785**	**29,273**	**1,558,649**
Additions	32,423	9,585	4,346	5,727	3,545	33,809	1,420	90,855
Accumulated Depreciation and Impairment written out to gross cost/valuation	(82,707)	(18,743)	0	0	0	0	(280)	(101,730)
Revaluation increases/decreases to Revaluation Reserve	(6,610)	17,264	0	0	25	185	(6,872)	3,992
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(181,787)	(15,072)	0	0	(7)	0	(3,519)	(200,385)
Derecognition - Disposals	(722)	(19,327)	(1,238)	0	0	0	(1,625)	(22,912)
Derecognition - Other	0	(127)	(81)	0	0	0	(229)	(437)
Reclassified to/from Held for Sale	0	0	0	0	0	0	(1,314)	(1,314)
Reclassified to/from Investment Properties	0	1,740	0	0	0	0	0	1,740
Other Movements in cost valuation	(68)	2,868	24,685	17,804	(756)	(46,082)	1,549	0
At 31 March 2011	**541,827**	**581,541**	**42,153**	**111,065**	**5,772**	**27,697**	**18,403**	**1,328,458**
Depreciation and Impairment								
At 1 April 2010	**(82,681)**	**(69,786)**	**(7,899)**	**(13,530)**	**(1,444)**	**0**	**(2,182)**	**(177,522)**
Accumulated Depreciation and Impairment written out to gross cost/valuation	82,707	18,743	0	0	0	0	280	101,730
Depreciation Charge	(12,139)	(10,861)	(3,758)	(2,219)	(3)	0	(106)	(29,086)
Impairment losses/reversals to Revaluation Reserve	(593)	(1,749)	0	0	0	0	(706)	(3,048)

Impairment losses/reversals to Surplus or Deficit on the Provision of Services	(31,892)	(8,037)	0	(3,553)	(3,585)	(640)	(1,134)	(48,841)
Derecognition - Disposals	10	1,646	84	0	0	0	221	1,961
Derecognition - Other	0	6	12	0	0	0	229	247
Other movements in depreciation and impairment	0	128	(12)	0	0	0	(116)	0
At 31 March 2011	**(44,588)**	**(69,910)**	**(11,573)**	**(19,302)**	**(5,032)**	**(640)**	**(3,514)**	**(154,559)**
Net Book Value								
At 31 March 2011	**497,239**	**511,631**	**30,580**	**91,763**	**740**	**27,057**	**14,889**	**1,173,899**
At 31 March 2010	**698,617**	**533,567**	**6,542**	**74,004**	**1,521**	**39,785**	**27,092**	**1,381,127**

Included within Property, Plant and Equipment are PFI assets with the following carrying value:

2009/10 £000		2010/11 £000
	Cost or Valuation	
148,966	At 1 April	160,778
(23)	Accumulated Depreciation and Impairment written out to gross cost/valuation	(3,183)
11,032	Additions	2,026
1,070	Revaluation Increases / (Decreases) taken to Revaluation Reserve	1,464
(267)	Revaluation Increases / (Decreases) taken to Surplus or Deficit on the Provision of Services	(4,352)
0	Derecognition – Other	(637)
0	Other movements in cost and valuation	(181)
160,778	Cost or Valuation at 31 March	155,915
	Depreciation and Impairment	
23	At 1 April	5,340
(23)	Adjustments between cost / value & depreciation/impairment	(3,183)
3,026	Depreciation Charge	3,680
0	Depreciation written out on Revaluation Reserve	192
0	Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	464
2,314	Impairment Losses /(Reversals) taken to Surplus or Deficit on the Provision of Services	0
5,340	Depreciation and impairment at 31 March	6,493
	Net Book Value	
155,438	At 31 March	149,422

Effects of change in estimates

There were no material changes in accounting estimates during the financial year.

Valuations

Capital assets are revalued on the basis of a five year rolling programme in accordance with RICS Guidance, and in the case of council dwellings in accordance with revised guidance on housing stock valuations. In 2010/11 the assets were revalued by Jonathan R Marriott BSc(Hons), MRICS, Principal Estates Surveyor, acting as Internal Valuer within the Council's Economic and Development Services. The Statement of Accounting Policies provide further information on revaluation and depreciation policies. The table below provides an analysis between the carrying value of assets carried in the balance sheet at historical cost and those carried in the balance sheet at fair value together with, in the case of the latter, when assets were revalued.

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Carried at historical cost	32,500	89,236	42,153	111,065	5,772	2,345	26,865	309,936
Valued at fair value as at:								
31 March 2011	509,327	227,397	0	0	0	14,749	832	752,305
31 March 2010		83,686	0	0	0	229	0	83,915
31 March 2009		42,801	0	0	0	0	0	42,801
31 March 2008		54,678	0	0	0	1,075	0	55,753
31 March 2007		83,743	0	0	0	5	0	83,748
Total Cost or Valuation	541,827	581,541	42,153	111,065	5,772	18,403	27,697	1,328,458

Revaluation losses and Impairment

The valuation decreases of £200m charged to the CIES are largely due a downward revaluation of £181m in respect of council dwellings. This has occurred because the social housing discount factor applied to council house values in Yorkshire and Humberside to reflect the fact that rents are at social housing rather than market rates was adjusted by central government from 47% in 2009/10 to 31% in 2010/11 resulting in council dwellings at 1 April 2010 being restated to 31% of their open market value.

Capital commitments

At 31 March 2011 the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost £30.349 million. The Council had significant commitments of £1 million or more budget to cost £30.349m (£42.887 million at 31 March 2010).

	Cost £m
Name of Scheme:	
Neighbourhood and Adult Services:	
Decent Homes Main Refurbishment Contractors:	
Wilmott Dixon Partnerships Limited	5.000
Morrison Facilities Services Limited	5.000
Social Housing New Build:	
Wildgoose Construction/ Synergy Housing	1.124
Synergy Housing	2.964
Economic Development Services:	
Rawmarsh Customer Service Centre	4.218
Riverside House - Fit Out	8.545
Riverside House - Building Works	1.634
Financial Services:	
Digital Region	1.864
Total	30.349

The projects above are included in the Council's Medium Term Capital Programme and appropriate funding has been committed.

Note 21 Investment Property

Income and expenditure from investment property included within Financing and Investment Income and Expenditure (Note 5) was as follows:

2009/10 £000		2010/11 £000
(1,079)	Rental income from investment property	(1,267)
385	Direct operating expenses arising from investment property	452
(694)	Net (gain)/loss	(815)
621	Change in fair value (gain) / loss	623
0	(Gain) / loss on disposal	157
(73)	Total included in Finance & Investment Income	(35)

The following table summaries the movement in the fair value of investment properties over the year:

2009/10 £000		2010/11 £000
49,048	Balance at 1 April	49,170
0	Disposals	(369)
(95)	Net gains or losses from fair value adjustments	(618)
217	Transfers to / from Property, Plant & Equipment	(1,740)
49,170	Balance 31 March	46,443

There are no restrictions on the Council's ability to realise the value inherent in its investment property or the Council's right to the remittance of income and the proceeds of disposal.

The Council has no major contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement.

Note 22 Intangible Assets

The Council has purchased software licences that it accounts for as intangible assets, the licences are valued at cost. The Council has no internally generated intangible assets. The software licences have a finite useful life of 3 years during which period they are being amortised using the straight line method.

2009/10 £000		2010/11 £000
	Balance at 1 April:	
1,183	- Gross carrying amount	1,361
(390)	- Accumulated amortisation	(780)
793	Net carrying amount at 1 April	581
	Additions:	
178	- Purchases	24
(390)	Amortisation	(449)
581	Net carrying amount at 31 March	156
	Comprising:	
1,361	Gross carrying amounts	1,385
(780)	Accumulated amortisation	(1,229)
581	Balance at 31 March	156

Note 23 Assets Held for Sale

	Assets Held for Sale-Current		Assets Held for Sale-Non-current	
	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000
Balance at 1 April	1299	1,295	0	0
Assets newly classified as held for sale				
- Property, Plant and Equipment	791	1,685	0	0
Revaluation losses	(69)	(399)	0	0
Revaluation gains	32	0	0	0
Assets declassified as held for sale				
- Property, Plant and Equipment	(280)	(371)	0	0
Assets sold	(484)	(1,068)	0	0
Other movements	6	0	0	0
Balance at 31 March	1,295	1,142	0	0

Note 24 Financial Instruments - Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long Term		Short Term	
	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000
Financial Liabilities (principal amount)	397,636	420,636	15,000	22,000
Plus Accrued Interest	0	0	4,466	4,632
Plus(+)/Less(-) Other accounting adjustments	117	0	211	117
Financial liabilities at amortised cost	397,753	420,636	19,677	26,749
Financial liabilities at fair value through the I & E	0	0	0	0
Total Borrowings	397,753	420,636	19,677	26,749
Loans and receivables (principal amount)	9,758	1,945	6,221	901
Plus Accrued Interest	859	0	0	0
Plus(+)/Less(-) Other accounting adjustments	(485)	(377)	(147)	(125)
Loans and receivables at amortised cost	10,132	1,568	6,074	776
Unquoted equity investments at cost	192	192	0	0
Total Investments	10,324	1,760	6,074	776

No financial instruments have been reclassified or de-recognised during the year.

Note 25 Financial Instruments – Risk

The Council's activities necessarily expose it to a variety of financial risks. The key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Council might have to renew a financial instrument on maturity at less advantageous interest rates or terms.
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the uncertainties of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years, limiting:
    - The Council's overall borrowing;
    - Its maximum and minimum exposures to fixed and variable rates;
    - Its maximum and minimum exposures the maturity structure of its debt;
    - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported and approved at the Council's annual Council Tax and Budget setting meeting. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported semi-annually to Members.

These policies are implemented by a central treasury team. The Council maintains written procedures for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet minimum credit criteria. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Details of the Investment Strategy can be found on the Council's website.

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on experience of default assessed by the ratings agencies and the Council's experience of its customer collection levels, adjusted to reflect current market conditions.

	Amount at 31 March 2011 £000 (a)	Historical experience of default % (b)	Adjustment for market conditions at 31 March 2011 % (c)	Estimated maximum exposure to defaults £000 (a*c)
<u>Deposits with banks and financial institutions – excluding Icelandic Banks</u>				
AAA rated counterparties	0	0.000%	0.000%	0
AA rated counterparties	0	0.030%	0.030%	0
A rated counterparties	0	0.080%	0.080%	0
Bonds	0	0.000%	0.000%	0
Total	0			0
<u>Debtors</u>				
Long Term Debtors	999	1.024%	1.024%	10
Sundry Debtors	7,995	15.733%	15.733%	1,258
Council Tax	4,938	30.507%	30.507%	1,506
Community Charge	43	94.014%	94.014%	41
Housing Benefits	2,015	29.425%	29.425%	593
Housing Tenants	2,886	76.900%	76.900%	2,220
Other Short-Term Debtors	27,287	2.312%	2.312%	631
Debtors	46,163			6,259
Total	46,163			6,259

Except as disclosed later at Note 29 the Council has no exposure to losses from non-performance by any of its counterparties in relation to deposits and bonds.

Whilst the current credit crisis in international markets has raised the overall possibility of default the Council maintains strict credit criteria for investment counterparties. As a result of these high credit criteria, we have maintained historical default rates as a good indicator under these current conditions.

The Council also uses non credit rated institutions (for instance smaller building societies or bank subsidiaries where the parent has a satisfactory rating). In these circumstances these investments would be classified as other counterparties.

The estimated maximum exposure to defaults of £6.259m represents the Council's provision for bad debts as disclosed within the Balance Sheet. In calculating these provisions reference is made to historical collection rates and these rates are applied to the debt raised rather than the percentages shown above.

The Council does not generally allow credit for its sundry debtors, such that all of the balance is past its due date for repayment. The past due amount can be analysed as follows:

31 March 2010 £000		31 March 2011 £000
10,117	Less than three months	5,425
537	Three to six months	301
1,267	Six months to one year	432
2,888	More than one year	1,837
14,809		7,995

Collateral

The Council initiates a legal charge on property where, for instance, clients require the assistance of social services but cannot afford to pay immediately. The total collateral at 31 March 2011 was £0.801m (£0.755m as at 31 March 2010).

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well through cash flow management procedures required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and the PWLB, which provides access to longer term funds, also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to provide a balanced Budget by the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

Limits on the maturity structure of debt and the limits on investments placed for longer than one year are the key controls used to address this risk. The treasury team address the operational risks within the Council approved parameters by:

- Monitoring the maturity profile of financial liabilities and amending the profile by either new borrowing or rescheduling existing debt; and

- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to longer term cash flow needs.

The maturity analysis of financial liabilities is as follows:

31 March 2010 £000		31 March 2011 £000
19,677 15,117 70,000 26,000 286,636	Less than one year Between one and two years Between two and seven years Between seven and fifteen years More than fifteen years	26,749 7,000 100,000 27,000 286,636
417,430		447,385

The maturity analysis of financial assets is as follows:

31 March 2010 £000		31 March 2011 £000
6,074 758 304 9,071	Less than one year Between one and two years Between two and three years More than three years	776 242 127 1,198
16,207		2,343

All trade debtors and other payables are due to be paid in less than one year and trade debtors of £7.995m are not shown in the above table. Interest accruals are disclosed as less than one year although associated with both short and long-term financial liabilities and assets.

Market Risk

Interest Rate Risk – The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing liability will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations. It includes a statement about expectations regarding interest rate movements. From this strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The treasury team monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure long term returns.

The risk of interest rate loss is partially mitigated by Government grant payable on financing costs.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

2009/10 £000		2010/11 £000
35	Impact on Surplus or Deficit on the Provision of Services	250
(24)	Increase in Government grant receivable for financing costs	138
24	Share of overall impact debited to the HRA	(138)
(221)	Decrease in the fair value of fixed rate investment assets	0
(221)	Impact on Other Comprehensive Income and Expenditure	0
(58,308)	Decrease in fair value of fixed rate borrowing liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(67,357)

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in Note 27 Fair Value of Assets and Liabilities carried at amortised cost.

Price Risk – The Council does not generally invest in equity shares but does have a number of small shareholdings in its related companies. The Council is therefore not exposed to any significant risks arising from movements in the price of these shares and the shares are not classified as Available-for-Sale.

Foreign Exchange Risk – The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to risk arising from movements in exchange rates.

Note 26 Financial Instruments – Gains/Losses

Gains/Losses charged to the Income and Expenditure Account and the STRGL for the year to 31 March 2011 are as follows:

		Financial Liabilities	Financial Assets			
2009/10 Total £000		Liabilities measured at amortised cost £000	Loans and receivables £000	Available-for-sale assets £000	Fair value through the CIES £000	2010/11 Total £000
21,110	Interest expense	20,710	0	0	0	20,710
57	Impairment losses	0	18	0	0	18
(337)	Premium/discounts	(211)	0	0	0	(211)
11,953	Finance Lease Interest	11,282	0	0	0	11,282
32,783	Interest payable and similar Charges	31,781	18	0	0	31,799
(1,576)	Interest income	0	(261)	0	0	(261)
31,207	Net gain (-) / loss (+) for the year	31,781	(243)	0	0	31,538

Note 27 Financial Instruments – Fair Value of Assets carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are shown in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- The fair values for financial liabilities have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each balance sheet date. The fair values for non-PWLB debt have also been calculated using the same procedures and interest rates and this provides a sound approximation for fair value for these instruments.

- For loans receivable prevailing benchmark market rates have been used to provide the fair value

- No early payment or impairment is recognised;

- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount.

The fair value is calculated as follows:

31 March 2010			31 March 2011	
Carrying amount £000	Fair Value £000		Carrying amount £000	Fair Value £000
		Long and Short-term		
242,598	271,355	PWLB debt	267,552	299,398
174,832	187,626	Non-PWLB debt	174,833	194,161
0	0	Temporary	5,000	5,000
417,430	458,981	Total Debt	447,385	498,559
103,766	103,766	Trade Creditors	93,876	93,876
521,196	562,747	Total Financial Liabilities	541,261	592,435
6,074	6,074	Money Market loans less than one year	776	776
10,132	11,095	Money Market loans more than one year	1,568	1,568
0	0	Bonds	0	0
192	192	Equity	192	192
559	559	Long-term Debtors	999	999
14,809	14,809	Sundry Debtors	7,995	7,995
4,677	4,677	Council Tax	4,938	4,938
43	43	Community Charge	43	43
1,579	1,579	Housing Benefits	2,015	2,015
3,045	3,045	Housing Rents	2,886	2,886
		Other Short-Term :		
40,759	40,759	Debtors	27,932	27,932
(5,711)	(5,711)	Bad Debts Provision	(6,259)	(6,259)
76,158	77,121	Total Loans and Receivables	43,085	43,085

The fair value for financial liabilities is greater than the carrying value because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

Note 28 Financial Instruments – Soft Loans and Financial Guarantees

Soft Loans – Loans granted by the Authority at below market rates are accounted for on a fair value basis. This is the present value of all future cash receipts discounted using the prevailing market interest rate for a similar instrument for an organisation with a similar credit rating.
Government Regulations permit the removal of this charge through the Movement in Reserves Statement to the Financial Instruments Adjustment Account. The balance is then amortised from this account over the remaining life of the loans. At 31 March 2011 a nil balance was held within the account.

Financial Guarantees – Under the revised Regulations the Council is required to record in its balance sheet any financial guarantees that it has provided based on the likelihood of the guarantee being called.

The initial recognition of the guarantee is measured at fair value based on the probability of the guarantee being called together with the likely amount payable under the guarantee.

At 31 March 2011 the Council had no material financial guarantees requiring disclosure within the Balance Sheet.

Note 29 Impairment adjustment – Landsbanki and Heritable Bank

Early in October 2008, the Icelandic bank Landsbanki collapsed and the UK subsidiary of the bank, Heritable, went into administration. The authority had £3.750m deposited in these institutions, with maturity dates and interest rates as follows:

Bank	Date invested	Maturity Date	Amount Invested £m	Interest Rate	Carrying Amount £m	Impairment £m
Heritable	24/09/2008	24/10/2008	1.800	5.95%	0.601	0.295
Landsbanki	22/10/2007	20/10/2008	1.950	6.13%	1.742	0.208

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the authority will be determined by the administrators / receivers.

The current situation with regards to recovery of the sums deposited varies between each institution.

Heritable Bank

The latest creditor progress report issued by the administrators Ernst and Young, dated 11 May 2011 outlined that the return to creditors was projected to still be between 79p and 85p in the £ and the authority has therefore decided to make an impairment based on it recovering only 85.01p in the £.

To the end of 2010/11 interim dividends amounting to 50.11p in the £ had been paid.

Landsbanki Islands hf

Landsbanki Islands hf is an Icelandic entity.

Recovery is subject to the following uncertainties and risks:

- Confirmation that deposits enjoy preferential creditor status which is being tested through the Icelandic courts.
- The impact of exchange rate fluctuations on the value of assets recovered by the Resolution Committee and on the settlement of the Authority's claim, which may be denominated wholly or partly in currencies other than sterling.

The Icelandic District Court has ruled that deposits placed by UK wholesale depositors have priority status in the winding up of the bank. Whilst this decision is being appealed to the Icelandic Supreme Court the Council's view remains that preferential creditor status will be confirmed and other relevant information indicates that recovery of between 90-100% could be achieved. A mid point position has therefore been taken with an impairment based on recovery at 94.85p in the £.

Recognition in the CIES

The total impairment recognised in the Comprehensive Income and Expenditure Statement amounting to £0.503m (£0.632m in 2009/10 reduced by £0.129m in 2010/11), has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the authority until monies are recovered.

Interest credited to the Comprehensive Income and Expenditure Statement in respect of the investments is as follows:

Bank	Credited 2009/10 £	Received 2009/10 £	Credited 2010/11 £	Received 2010/11 £
Heritable	69,201	1,334	42,705	577
Landsbanki	106,079	0	104,371	0

Based on the latest information available the authority considers that it is prudent to make an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators / receivers, it is likely that further adjustments will be made to the accounts in future years.

Note 30 Long-Term Investments

31 March 2010 £000		31 March 2011 £000
7,000	Investments (PFI grant receipts)	0
859	Interest accruals	0
2,273	Icelandic investments	1,568
	Investments in Associates and Joint Ventures:	
2	Investment in RBT (Connect) Ltd	2
190	Investment in BDR Property Limited (formerly Arpley Gas Ltd)	190
10,324		1,760

Note 31 Inventories

2009/10 £000		2010/11 £000
449	Balance at 1 April	436
2,779	Purchases	2,775
(2,816)	Recognised in year	(2,685)
24	Written on / (off) in year	(4)
0	Reversals of write offs in previous years	16
436	Balance at 31 March	538

Note 32 Construction contracts

The Council did not have any external construction contracts with third parties in progress at 31 March 2011 (£Nil 2009/10).

Note 33 Debtors

	Long Term Debtors			Short Term Debtors		
	2008/09 £000	2009/10 £000	2010/11 £000	2008/09 £000	2009/10 £000	2010/11 £000
Central Government Bodies	0	0	0	21,754	20,062	8,461
Other Local Authorities	0	0	0	1,290	919	1,005
NHS Bodies	0	0	0	1,767	1,746	1,105
Public corporations and trading funds	0	0	0	112	1,026	1,070
Other Entities and Individuals	523	559	999	27,978	35,448	27,909
Total	523	559	999	52,901	59,201	39,550

Note 34 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

Cash and cash equivalents as shown in the statement of cash flows can be reconciled to the related items in the Balance Sheet as follows:

1 April 2009 £000	31 March 2010 £000		31 March 2011 £000
18,765	20,396	Cash and Bank balances	19,669
(2,889)	(23,299)	Bank Overdraft	(8,457)
15,876	(2,903)	Total Cash and Cash Equivalents	11,212

Note 35 Creditors

Short-term Creditors	2008/09 £000	2009/10 £000	2010/11 £000
Central Government Bodies	(41,486)	(14,499)	(20,886)
Other Authorities	(4,134)	(4,013)	(3,752)
NHS Bodies	(5,078)	(3,049)	(3,889)
Public corporations and trading funds	(7)	0	(702)
Other Entities and Individuals	(58,101)	(82,205)	(64,647)
Total Short Term Creditors	(108,806)	(103,766)	(93,876)
Long-term Creditors	2008/09 £000	2009/10 £000	2010/11 £000
Other creditors falling due after more than one year:			
Central Government Bodies	0	(231)	0
Other Authorities	0	0	0
NHS Bodies	0	0	0
Public corporations and trading funds	0	0	0
Other Entities and Individuals	0	0	0
Total Long Term Creditors	0	(231)	0
Total Creditors	(108,806)	(103,997)	(93,876)

Note 36 Provisions

	At 1 April 2010 £000	Increase in provision during year £000	Utilised during year £000	Unused Amounts Reversed £000	Transfer to reserve £000	Balance as at 31 March 2011 £000
Insurance Claims	(4,876)	0	505	100	57	(4,214)
Compensation Payments	(25)	0	0	0	0	(25)
LATS	(64)	(275)	0	0	0	(339)
Maltby Academy	(500)	0	500	0	0	0
Severance Costs	0	(1,919)	0	0	0	(1,919)
Other	(10,990)	(177)	831	0	0	(10,336)
Total	(16,455)	(2,371)	1,836	100	57	(16,833)

Current Provisions	(564)	(2,371)	498	0	0	(2,437)
Long Term Provisions	(15,891)	0	1,338	100	57	(14,396)
Total	(16,455)	(2,371)	1,836	100	57	(16,833)

Comparative Year

	Balance as At 1 April 2009 £000	Increase in provision during year £000	Utilised during year £000	Unused Amounts Reversed £000	Transfer to reserve £000	Balance as at 31 March 2010 £000
Insurance Claims	(5,315)	0	0	439	0	(4,876)
Compensation Payments	(25)	0	0	0	0	(25)
LATS	(360)	0	0	296	0	(64)
Maltby Academy	0	(500)	0	0	0	(500)
Other	(15,606)	(160)	4,645	131	0	(10,990)
Total	(21,306)	(660)	4,645	866	0	(16,455)

Current Provisions	(360)	(500)	0	296	0	(564)
Long Term Provisions	(20,946)	(160)	4,645	570	0	(15,891)
Total	(21,306)	(660)	4,645	866	0	(16,455)

Insurance claims

The overall Insurance Fund balance shown in the accounts is net of amounts (2010/11 Nil, 2009/10 Nil) that have been advanced internally on a short-term repayable basis.

The Council has carried out a complete re-tender of its insurance arrangements. Both property and liability risks are now insured by AIG Europe (UK) Ltd. The contract is for a three years with a two year optional extension.

Only Engineering Inspection and Small Craft have again been arranged through Zurich Municipal.

There have been no significant changes regarding internally and externally-insured risks, and hence no significant changes to the operation of the Council's Insurance Fund.

(a) Liability

Since the demise of Municipal Mutual Insurance (MMI) in 1992, many authorities have been retaining and funding their liability losses, third party, highways third party and employers' liability, up to an agreed threshold per claim. Consequently, the Authority meets the first £100,000 of every settlement. In effect the Insurance Fund meets the majority of settlements determined by the insurers.

(b) Fire

The Fund acts as a co-insurer and bears 20% of all claims up to a stop-loss limit of £400,000 in any one period of insurance.

The Fund bears the first £50,000 of all claims involving education, municipal and housing property

(c) Motor

All accidental damage to vehicles is self-funded. The Fund recoups the cost from user departments/services via a charge per vehicle. There is an excess of £500 on all claims (£1,000 for thefts) which is met initially by the Fund and recharged to owning departments. There is an excess of £500 on all underground plant claims. Third party risks remain with the external insurer.

(d) Council House Fires

The Fund bears all costs to repair fire damage on a full reinstatement basis. Blocks of flats above three storeys remain with the external insurer.

(e) Council Flats – Added Perils

The Fund insures blocks of flats for added perils where one or more flats have been sold under the right to buy arrangements.

(f) ICT Equipment

Where requested by the school, ICT equipment is insured in the Fund on an all-risks basis. Responsibility for insurance of departmental ICT equipment is now back with the Fund having been relinquished by the Council's Strategic Partner, RBT (Connect) Ltd.

(g) Other Equipment

Where requested by the school, musical instruments, television and video equipment, Youth and Community and departmental office equipment are insured on the Fund on an all-risks basis. In addition schools can insure many other items if desired.

In addition to the above there are many smaller risks which are self-insured including:

Schools PABX Equipment
Time on Risk Cover
York and Lancaster Exhibition

Compensation payments

Historically, Rotherham MBC experienced a significant increase in the number of Section 11/82 disrepair claims submitted on behalf of tenants during 2003/04. Provision was initially made for legal costs of the cases outstanding at the end of March, 2004. A large number of cases were resolved between 2004/05 and 2007/08. Due to the reduction in the number of claims being received and legal costs incurred the provision has been reduced to £25k which is considered sufficient to cover any potential liability on the 2 live cases at the end of March 2011.

Landfill Allowance Trading Scheme (LATS)

The provision represents the estimated cost of settling in 2011/12 the landfill allowances used by the Council in 2010/11 under the Landfill Allowances Trading Scheme.

Severance Costs

A provision has been made for the estimated severance costs associated with reductions in staff numbers for which a detailed formal plan was in place at 31 March 2011 and a reasonable expectation had been raised that the plan will be implemented. The expectation is these costs will be settled in the first part of 2011/12.

Note 37 Usable Reserves

The Council's usable reserves are summarised in the table below into capital and revenue followed by a brief description of the nature and purpose of each reserve. Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement on Page 15 and Notes 1 and 2

1 April 2009 £000	31 March 2010 £000		31 March 2011 £000
		CAPITAL RESERVES	
(6,353)	(4,001)	Capital Receipts Reserve	(2,786)
(320)	(2,195)	Major Repairs Reserve	0
(11,618)	(22,439)	Capital Grants Unapplied Account	(25,341)
		REVENUE RESERVES	
(4,913)	(2,748)	General Fund - Schools	(2,828)
(8,887)	(6,130)	General Fund - Non Schools	(8,402)
(36,291)	(39,007)	Earmarked General Fund Reserves	(33,561)
(6,193)	(6,890)	HRA	(2,772)
(66)	0	Earmarked HRA Reserves	(265)
(74,641)	(83,410)	TOTAL USABLE RESERVES	(75,955)

(a) Capital Receipts Reserve

Income from the disposal of non current assets is credited to the Capital Receipts Reserve. The amount credited in respect of housing capital receipts is reduced by the amount the Council is required to pay over to central government under the national pooling arrangements. The Capital Receipts Reserve can only be applied to finance new capital expenditure, repay debt or meet liabilities under credit arrangements.

(b) Major Repairs Reserve

The Council is required by regulation to establish a Major Repairs Reserve. The accounting arrangements for the Major Repairs Reserve effectively result in it being credited with the major repairs allowance for the year paid through housing subsidy. This can only be used to finance new capital expenditure, repay debt or meet liabilities under credit arrangements. The arrangements ensure that the transfer of the major repairs allowance to the reserve and subsequent funding of capital expenditure does not affect the Housing Revenue Account.

(c) Capital Grants Unapplied Account

Where a capital grant or contribution (or part thereof) has been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred at the Balance Sheet date, the grant or contribution is transferred to the Capital Grants Unapplied Account within usable reserves reflecting its status as a capital resource available to finance future capital expenditure.

(d) General Fund

The General Fund balance represents uncommitted revenue balances held to safeguard the Council against potential financial risks, unforeseen costs and contingencies. The balance to be held is risk assessed annually as part of the budget setting process to ensure a prudent level of resources is retained.

Included within the General Fund balance of £11.230m is £2.828m of Schools balances representing cumulative underspending on school delegated budgets that is earmarked for use by those schools and cannot be used for any other purpose (£2.748 million in 2009/10).

(e) Earmarked Reserves

Details of the earmarked reserves the Council has set aside to meet specific needs or which are ring-fenced to particular services are contained in Note 2.

Included within earmarked reserves are schools declared savings of £0.324m (2009/10 £0.405m). These are amounts schools have invested internally with the Authority from their delegated budgets, and, as such, are exclusively earmarked for use by those same schools in the future.

(f) HRA

The Housing Revenue Account (HRA) is a record of revenue expenditure and income relating to an authority's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. Consequently, the HRA is a statutory account, ringfenced from the rest of the General Fund, so that rents cannot be subsidised from council tax (or vice versa).

Note 38 Unusable Reserves

The Council's unusable reserves are summarised in the table below into capital and revenue followed by a brief description of the nature and purpose of each reserve and movements thereon during the year.

01 April 2009 £000	31 March 2010 £000		31 March 2011 £000
		CAPITAL RESERVES	
(790,406)	(681,776)	Capital Adjustment Account	(446,575)
(76,077)	(77,781)	Revaluation Reserve	(75,333)
(147)	(136)	Deferred Capital Receipts	(130)
		REVENUE RESERVES	
200,638	311,246	Pensions Reserve	243,498
7,662	9,032	Short term accumulating absences account	7,426
1,290	898	Financial instruments adjustment account	118
(1,047)	(2,412)	Collection Fund adjustment account	(2,724)
(658,087)	(440,929)	TOTAL UNUSABLE RESERVES	(273,720)

(a) Capital Adjustment Account

The Capital Adjustment Account absorbs timing differences arising from the different arrangements for accounting for the consumption of non current assets under normal accounting practices and statutory requirements for financing capital expenditure applicable to local authorities. Hence, it is debited with capital charges (depreciation, impairment, revaluation losses and amortisation) that have been made in the Comprehensive Income and Expenditure statement but which are reversed out as they are not proper charge to revenue for council tax purposes and credited with the amount which is set aside from capital resources or from revenue to finance capital expenditure under the statutory provisions (the accounting policies set out the Council's approach for determining a prudent charge to revenue for debt repayment and PFI liabilities). The Capital Adjustment Account also contains accumulated gains and losses on investment properties and on Property Plant and Equipment before 1 April 2007, the date on which the Revaluation Reserve was created.

2009/10 £000		2010/11 £000
(790,406)	Balance 1 April	(681,776)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
390	Amortisation of Intangible Assets	449
159,298	Charges for depreciation and impairment of non-current assets	266,294
9,476	Revenue expenditure funded from capital under statute	9,337
3,898	Non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	22,488
16,620	Depreciation - Major Repairs Reserve	12,399
(731)	Write down of Met Debt deferred Liability	(804)
	Adjusting amounts written out to Revaluation Reserve:	
0	Impairment	0
(991)	Disposal	(1,850)
(2,055)	Excess of current cost depreciation over historic cost depreciation	(1,547)
	Capital Financing Applied in the year:	
(3,298)	Use of Capital Receipts Reserve to finance capital expenditure	(4,382)
(11,189)	Use of Major Repairs Reserve to finance capital expenditure	(15,462)
(29,267)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(3,859)
(22,169)	Application of grants to capital financing from the Capital Grants Unapplied Account	(33,576)
(9,252)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(10,256)
(2,100)	Capital expenditure charged against the General Fund and HRA balances	(4,030)
(681,776)	**TOTAL**	(446,575)

(b) Revaluation Reserve

The Revaluation Reserve represents the cumulative unrealised revaluation gains and losses on the Council's Property, Plant and Equipment since the reserve was created on 1 April 2007.

2009/10 £000		2010/11 £000
(76,077)	Balance 1 April	(77,781)
(3,264)	Net revaluation gains/losses not charged to the Surplus / Deficit on Provision of Services	(3,997)
(1,486)	Impairment losses and reversals thereof not charged to the Surplus / Deficit on Provision of Services	3,048
(4,750)	Sub total - net revaluation and impairment gains / losses not posted to the Surplus / Deficit on provision of Services	(949)
991	Accumulated Gains on assets sold or scrapped	1,850
2,055	Excess of fair value depreciation over historic cost depreciation transferred to Capital Adjustment Account	1,547
(77,781)	Balance at 31 March	(75,333)

(c) Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve represents amounts due from the sale of non current assets that have still to be realised. Under statutory arrangements, this only becomes available for financing on receipt of cash at which point a transfer is made to the Capital Receipts Reserve. The balance is mainly represented by mortgages on council houses sold to (former) tenants.

2009/10 £000		2010/11 £000
(147)	Balance 1 April	(136)
11	Transfer to the Capital Receipts Reserve of cash received	6
(136)	Balance at 31 March	(130)

(d) Movements in Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

At 31 March 2011 the Council held no financial assets classified as available-for-sale.

(e) Pensions Reserve

The Pensions Reserve absorbs timing differences arising from the different arrangements for accounting for post employment benefits under normal accounting practices and statutory requirements for funding benefits applicable to local authorities. The amount recognised as

post employment benefits under normal accounting practice reflects the benefits accrued by employees from their reckonable service, and changes to the assumptions about the liabilities that will fall on the scheme when benefits are paid out and the value of scheme assets to cover those liabilities. The amount charged under statutory provision is the amount due to be paid over by the Council as employer contributions under local government pension scheme rules.

The Pensions Reserve represents the Council’s share of the underlying assets and liabilities for post employment benefits attributable to the Council at the balance sheet date. The deficit represents the amount by which benefits earned by past and current employees currently exceeds the resources set aside by the Council to meet them.

Further details of the Authority’s participation in the Local Government Pension Scheme (administered by South Yorkshire Pensions Authority) are detailed in Note 19.

2009/10 £000		2010/11 £000
200,638	Balance 1 April	311,246
102,340	Actuarial gains or losses on pensions and pensions assets and liabilities	(34,102)
33,205	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(13,793)
(24,937)	Employer's pensions contributions and direct payments to pensioners payable in the year	(25,283)
311,246	Council Balance 31 March 2011	238,068
0	Rotherham 2010 Ltd (ALMO) pension liability	5,430
311,246	Cumulative Balance 31 March 2011	243,498

(f) Short-term Accumulated Absences Account

The Accumulating Absences Accounts absorbs the timing differences arising from the different arrangements for accounting for short term compensated absences under normal accounting practices and statutory requirements for charging such absences applicable to local authorities. Under normal accounting practice, an accrual is made to charge compensated absences, for example, annual leave entitlement not yet paid, in the year in which they are earned. However, under statutory provision, these are charged to revenue in the year in which they are payable. The balance on the Accumulating Absences Account therefore represents the amount of compensated absences earned which will fall as a charge on the General Fund in the future.

2009/10 £000		2010/11 £000
7,662	Balance 1 April	9,032
(7,662)	Settlement or cancellation of accrual made at the end of the preceding year	(9,032)
9,032	Amounts accrued at the end of the current year	7,426
1,370	Net amount charged to Comprehensive Income and Expenditure Statement in the year reversed out under regulation chargeable to revenue in the future when payments fall due	(1,606)
9,032	Balance at 31 March	7,426

(g) Financial Instruments Adjustment Account

This reserve has been created under the SORP 2007 to hold the accumulated difference between the financing costs included in the Income and Expenditure Account and the accumulated financing costs required in accordance with Regulations to be charged to the General Fund Balance.

General Transactions

The SORP requires that unless directly attributable to a loan held at 31 March 2007 then all premium and discounts carried on the Balance Sheet at that date are to be written off to the General Fund Balance as at 1 April 2007. Government Regulations allow for the impact to be neutralised through a transfer to the Financial Instruments Adjustment Account. The balance of premium and discounts will be amortised to revenue in line with the provisions set down in the Council's accounting policies.

The SORP also requires that where the Council has provided loans at less than market rates then these should be accounted for on a fair value basis. The difference between the fair value and loan amount is accounted for as an immediate charge to the Income and Expenditure Account. Government Regulations allow for the impact to be neutralised through a transfer to the Financial Instruments Adjustment Account. The fair value increases over the period of the loan and the annual impact will be neutralised in the Income and Expenditure Account by the writing down of the balance on the Financial Instruments Adjustment Account.

Icelandic Banks

Capital Finance Regulations allowed the Council to defer the impact of the impairment calculated on the General Fund until 2010/11.

The balance of £0.632m held in this account under those Regulations at 31 March 2010 has been reversed to Comprehensive Income and Expenditure Statement.

2009/10 £000		2010/11 £000
1,290	Balance at 1 April	898
	Movement in year:	
(269)	Premium and discounts	(148)
(5)	Soft Loans	0
(118)	Icelandic Banks	(632)
898	Balance carried forward at 31 March	118

(h) Collection Fund Adjustment Account

The Collection Fund Adjustment Account absorbs differences between the amount of council tax income recognised under normal accounting practice as it falls due from council tax payers and the amount due to the General Fund and preceptors under statutory provisions. The balance on the Collection fund Adjustment Account therefore represents the amount still to be distributed to the General Fund and precepting authorities.

2009/10 £000		2010/11 £000
(1,047)	Balance 1 April	(2.412)
(1,365)	Difference between amount receivable in the Comprehensive Income and Expenditure Statement for the year and General Fund balance	(312)
(2,412)	Balance at 31 March	(2,724)

Note 39 Cash Flow – Analysis of adjustments to (Surplus) / Deficit on the Provisions of Services

2009/10 £000		2010/11 £000
	The cash flows for operating activities include the following items:	
(3,621)	Interest received	(942)
31,486	Interest paid	31,796
0	Dividends received	0
659,354	Operating expenditure	674,581
(712,183)	Operating Income	(730,856)
(24,964)	Net cash flows from Operating Activities	(25,421)

Note 40 Cash Flow – from Investing Activities

2009/10 £000		2010/11 £000
153,464	Purchase of property, plant and equipment, investment property and intangible assets	99,796
0	Purchase of short-term and long-term investments	0
0	Other payments for investing activities	9,785
(1,931)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(4,187)
(10,225)	Proceeds from short-term and long-term investments	(5,432)
(36,248)	Capital Grants and Contributions Received	(40,175)
(67,588)	Other receipts from investing activities	(21,791)
37,472	Net cash flows from Investing Activities	37,996

Note 41 Cash Flow – from Financing Activities

2009/10 £000		2010/11 £000
(190,630)	Cash receipts of short- and long-term borrowing	(321,020)
0	Other receipts from financing activities	0
2,611	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	3,310
194,290	Repayments of short- and long-term borrowing	291,020
0	Other payments for financing activities	0
6,271	Net cash flows from Financing Activities	(26,690)

Note 42 Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

2009/10 £000		2010/11 £000
585,731	**Opening Capital Financing Requirement**	667,876
	Capital Investment:	
141,508	Property, Plant and Equipment	89,827
9,829	Property, Plant and Equipment – Increase in finance lease Liability	938
0	Investment Properties	0
5	Assets Held for Sale	0
178	Intangible Assets	24
190	Long Term Investment	450
9,476	Revenue Expenditure Funded from Capital under Statute	9,334
746,917		768,449
	Sources of finance	
(3,298)	Capital receipts	(4,382)
(51,436)	Government grants and other contributions	(37,435)
(11,189)	Major Repairs Allowance	(15,462)
	Sums set aside from revenue:	
	Direct revenue contributions:	
0	General Fund	0
(2,100)	Housing Revenue Account	(4,030)
(8,407)	Minimum Revenue Provision	(9,456)
(2,611)	Write down of finance lease liability	(3,030)
(79,041)		(73,795)
667,876	Closing Capital Finance Requirement	694,654

2009/10 £000	Explanation of movements in year	2010/11 £000
57,625	Increase in underlying need to borrowing (supported by government financial assistance)	13,474
17,302	Increase in underlying need to borrowing (unsupported by government financial assistance)	15,397
0	Assets acquired under finance leases	140
7,218	Assets acquired under PFI/PPP contracts	(2,232)
82,145	**Increase/(decrease) in Capital Financing Requirement**	26,779

Note 43 Leases

Council as lessee

(a) Finance leases

The Council has acquired a number of photo copiers and printers under finance leases. The assets acquired under the leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31/03/2010 £000		31/03/2011 £000
0	Vehicles, Plant, Furniture and Equipment	140
0	Total	140

The minimum payments under these leases the Authority is committed to make is as follows:

31/03/2010 £000		31/03/2011 £000
	Finance lease liabilities:	
0	Current	0
0	Non current	140
	Finance costs payable in future years:	
0	Minimum lease payments	166

(b) Operating leases

The Council has the right of use over a range of assets by virtue of operating leases that it has entered into. The future minimum lease payments due under these non-cancellable leases in future years are:

2009/10 £000		2010/11 £000
3,587	Within one year	3,402
2,165	Between one year and five years	2,146
452	After more than five years	282

The expenditure charged to service in the Comprehensive Income and Expenditure statement in relation to these leases was £3.872m (2009/10 £3.893m)

Council as lessor

(a) Finance leases

During 2010/11, the Council has leased out property to Brinsworth and Wales Academies on finance leases of 125 years as a result of the schools being granted Academy status. Both leases are on a peppercorn rent.

(b) Operating leases

Most of the property and equipment leased out by the Council meets the definition of investment property. The rental income earned from leasing out these investment properties is disclosed in Note 21.

Note 44 Private Finance Initiative and Similar Contracts

As at 31 March 2011 the Council has in place two long-term contracts under Private Finance Initiative (PFI) arrangements and was negotiating one other. In addition, it has in place two partnership agreements. PFI funding for the Council's Building Schools for the Future Programme was withdrawn in July 2010 by Central Government.

As a result of a change to the way in which PFI Schemes and Similar Contracts were accounted for in 2009/10 on transition to IFRS assets within the PFI Schemes on Similar Contracts were brought on Balance Sheet. The movement in the carrying value of these assets is disclosed in the Property Plant and Equipment note (Note 20a).

The note below provides a brief description of each scheme and outstanding obligations.

(a) Private Finance Initiatives - Schools PFI

The contract for the provision of 9 primary and 6 secondary schools commenced on 1 April 2004 with an end date of 31 March 2034, and a capital value of £96m. All the schools were completed in line with the original programme. At the expiry of the contract the schools transfer back to the Council for nil consideration. The agreed government funding is being received and the Authority has established a fund to manage income and expenditure over the rest of the 30 years of these arrangements. Payments during the year totalled £12.64m and are subject to availability and performance-related deductions and contractually agreed inflation adjustments. In the same period the Council received £6,222,509 of PFI grant in support of this project.

(b) Private Finance Initiatives – Sports and Leisure PFI

The Sport and Leisure Facilities Regeneration Programme and Maltby Joint Service Centre PFI involves the construction of 3 new combined swimming pools and dry leisure centres, one stand alone swimming pool and a joint service centre. The contract with DC Leisure Management Ltd became operational in August 2008 and has a capital value of £38m. The contract expires on 31st October 2041, when all the assets transfer back to the Council for nil

consideration. £24.954m of PFI Credits have been awarded to support the scheme. All 5 facilities are operational. Payments during the year totalled £3.94m. In the same period the Council received £1,810,796 of PFI grant in support of this project.

(c) Bereavement Services Partnership - Dignity

The Council signed a partnership agreement with Dignity Funerals Limited in July 2008, who now manage the Borough's bereavement services on the Council's behalf. The contract commenced in August 2008 and operates for a period of 35 years at which point all the Assets revert back to the Council for nil consideration. This is a partnership that will improve the provision of bereavement services to the Rotherham public, with significant investment having taken place on the crematorium facility and the wider East Herringthorpe site. No physical payments are made to Dignity who collect all the income on the Council's behalf, the cost of the service is met by our partner out of this income, from this they will pay the Council a guaranteed annual sum. The Council received £402,038 in 2010/11 in respect of this Partnership.

(d) RBT (Connect) Limited

On 17 April 2003 the Authority signed a strategic partnership deal with BT, forming a company, RBT (Connect) Ltd. The Authority has a 19.9% share holding in the Company.

The aim of the partnership is to help the Authority to refocus and revitalise its method of service delivery to its customers and to help support the high level of investment required. At present the Partnership covers the provision of ICT, Rotherham Connect, Revenues and Benefits, Procurement and the Human Resources and Payroll service.

(e) Waste Management PFI

The Council is working with Barnsley and Doncaster Councils to develop a waste management PFI to deal with the three authorities' residual waste, with a joint award of £77.4m of PFI Credits to support this Project. The procurement process is progressing with 3SE (Shanks, Scottish and Southern Energy) appointed preferred bidder in March 2011. Contract signature is programmed for July 2011. No payments have yet been made.

(f) Movements in Finance Liabilities.

The Table below shows the movements in the Finance Liabilities during 2010/11.

(g) Payments due to be made under PFI

	Schools PFI Finance Lease Liability £m	Schools PFI Finance Lease Interest £m	Schools PFI Service Charges £m	Leisure PFI Finance Lease Liability £m	Leisure PFI Finance Lease Interest £m	Leisure PFI Service Charges £m	Dignity Finance Lease Liability £m	Dignity Finance Lease Interest £m	Dignity Service Charges £m	RBT Finance Lease Liability £m	RBT Finance Lease Interest £m	RBT Service Charges £m
Within one year	1.800	6.249	4.926	0.303	1.958	1.789	(0.198)	0.396	1.453	1.944	2.218	19.956
In the 2nd to 5th years inclusive	5.907	23.696	24.068	1.253	7.532	7.992	(0.520)	1.726	6.436	9.267	3.631	63.202
In the 6th to 10th years inclusive	11.227	26.641	33.546	1.778	8.677	11.930	(0.612)	2.423	9.315	0	0	0
In the 11th to 15th years inclusive	15.607	21.444	39.757	1.532	7.764	14.853	(0.375)	2.671	11.308	0	0	0
In the 16th to 20th years inclusive	24.111	13.844	44.956	2.206	6.917	17.020	0.255	2.734	14.079	0	0	0
In the 21st to 25th years inclusive	21.276	3.155	28.575	4.421	5.429	18.550	1.148	2.435	17.307	0	0	0
In the 26th to 30th years inclusive	0	0	0	7.351	2.655	20.948	2.546	1.619	21.210	0	0	0
In the 31st to 35th years inclusive	0	0	0	1.057	0.056	2.694	1.956	0.288	12.967	0	0	0

The payments to which the Authority is committed to make are:

	Schools PFI £m	Leisure PFI £m	Dignity PPP £m	RBT PPP £m	Total £m
Finance Lease Liability as at 31/03/10 – As reported in 2009/10 Accounts	(81.385)	(20.116)	(3.189)	(12.782)	(117.472)
Adjustments as a result of changes to the Accounting Model	(0.324)	0.044	0	0	(0.280)
New Liabilities arising in year	0	0	(0.798)	0	(0.798)
Principal repaid in year	1.781	0.171	(0.213)	1.571	3.310
Balance carried forward as at 31/03/11	(79.928)	(19.901)	(4.200)	(11.211)	(115.240)
Liabilities < 1 Year	(1.800)	(0.303)	0.198	(1.944)	(3.849)
Liabilities > 1 Year	(78.128)	(19.598)	(4.398)	(9.267)	(111.391)

Note 45 Capitalised borrowing costs

The Council capitalised £141,000 of borrowing costs during 2010/11 (£233,000 in 2009/10) the capitalisation rate used was 5.15% (5.15% in 2009/10).

Note 46 Contingent Liabilities

(a) Municipal Mutual Insurance Ltd (MMI)

In 1992, MMI fell below the minimum regulatory solvency requirement and went into run off. The company's creditors entered into a Scheme of Arrangement whereby the company would continue to meet claims whilst ever it had sufficient funds to do so. However, if at any time the company were to be unable to meet claims creditors would be liable for payment of 20% of total claims to date over a £50,000 threshold. The Directors of MMI were of the view that solvent run-off with full payment of claims could be achieved when MMI's accounts for the year ended 30 June 2010 were approved subject to there being a positive outcome on current litigation.

As at 31 March 2011 the Council's maximum exposure should MMI no longer be able to achieve solvent run off comprises the claims lodged to date by the Authority of £4,123,793 plus the Council's share of the run off relating to the South Yorkshire Residuary Body (SYRB) (around 20% of £1,599,682, ie £320,000) which the SYRB winding up order makes provision for apportioning among the four councils in the county.

(b) Digital Region

There remains a potential risk to the Council contingent on the future financial performance of Digital Region Limited. This is in light of the company's results for the year and its attempts to reduce costs in order to market the network at a competitive price. The company is also affected by the Government's announcement to abolish Regional Development Agencies, including Yorkshire Forward, the principal founder of the company. These circumstances indicate the existence of a material uncertainty which may cast significant doubt about the ability of Digital Region Limited to continue as a going concern and it may therefore be unable to realise its assets and discharge its liabilities in the normal course of business. However it is the company Directors' view that a satisfactory resolution will be reached and that the company will therefore have adequate resources to continue for the foreseeable future.

(c) Property search fees

In 2010/11 the Ministry of Justice stated that the Government would revoke the current £22 fee for a personal search by amending the Local Land Charge Rules 1977. There is a possibility that the fees received since 2005 may need to be refunded. This may total up to a maximum of £180,000

(d) Highfields Nursing Home

The owner of Highfields Nursing Home has issued legal proceedings in respect of alleged breach of contract between the Council and the nursing home. The Council denies these allegations and is defending the claim.

(e) Employment Tribunal

Three employees have issued proceedings alleging unfair dismissal by the Council. The Council denies these allegations and is defending these claims.

(f) Yorkshire Purchasing Organisation (YPO)

YPO have been asked by a regulatory body to provide information in relation to its activities as a public sector purchasing organisation. At present it is not known whether this will lead to any action involving YPO and hence the Council is unable to assess any potential financial impact.

Note 47 Contingent Assets

Three year time limit for VAT claims

The recent House of Lords decisions in the cases of Michael Fleming (t/a Bodycraft) -v- HMRC (Fleming) and Condé Nast Publications Ltd -v- HMRC (Condé Nast) disapplied the three year time limit for input tax claims in respect of which the entitlement to deduct accrued before 1 May 1997.

HMRC consider that the terms of the judgment also apply to claims to recover VAT overpaid or overdeclared in accounting periods ending before 4 December 1996.

As a result the Council has made several claims to HMRC to recover output tax overpaid or overdeclared in accounting periods ending before 4 December 1996 in respect of following services:

- Home Improvement Grant Administration Fees, Culture and Sports

The total value of claims made is in the region of £2.626m (including Statutory Interest), of which £2.185m net has now been realised.

Note 48 Trust Funds

The Council acts as sole trustee for various legacies relating to the provision of educational supplies to specific local schools. Each fund holds investments and may use the interest derived from those investments to fund the purchase of supplies.

Accumulated interest balances and the respective balance sheets are as follows:

	Balance as at 1 April 2010 £	Income £	Expenditure £	Balance as at 31 March 2011 £
Treeton Council School War Memorial	554	27	0	581
EJ Butland, Treeton Infants	461	27	0	488
Whiston Two Wars Memorial	313	107	349	71
Total	1,328	161	349	1,140

Trust Funds – Balance Sheet as at 31 March 2011

2009/10 £		2010/11 £
	Assets	
	Investments	
58	- Treeton Council School War Memorial	58
59	- EJ Butland, Treeton Infants	59
233	- Whiston Two Wars Memorial	233
350	Total Investments	350
49	- Debtors	53
1,279	- Cash	1,087
1,678	Total Assets	1,490
	Financed by:	
350	- Fund Balance	350
1328	- Accumulated Investment Interest	1,140
1,678	Total Equity	1,490

The investments referred to above relate to War Loan Stock.

Note 49 Material items of income and expenditure

Profit and loss of disposal of Non-Current Assets

Included within the loss on disposal of Non-Current Assets of £18.328m shown in Note 4 are the following material items:

- Brinsworth Academy £7.060m
- Wales Academy £11.892m

These occurred as result of the school buildings being transferred to the Academy boards on long leases of 125 years when the schools were granted Academy status in September 2010.

Note 50 Other Long-term Liabilities

1 April 2009 £000	31 March 2010 £000		31 March 2011 £000	Notes
(107,642)	(114,146)	PFI Liability	(111,391)	44
0	0	Finance Lease Liability	140	43
(200,638)	(311,246)	Pension Liability	(243,498)	19
(14,900)	(14,095)	Deferred Liabilities	(13,211)	
(323,180)	(439,487)	Total	(368,240)	

Deferred Liabilities

The Authority has a proportionate share in the interests of the Metropolitan (former South Yorkshire County Council) Debt (Page 114 of this Statement refers). As at 31 March 2011 the deferred liabilities of Rotherham MBC arising out of the Metropolitan Debt Administration amounted to £14,095,430, comprising £884,422 maturing within one year and £13,211,008 after that date.

Note 51 Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Strategic Director of Finance on 30 June 2011. Events taking place after this date are not reflected in the Financial Statements or Notes.

Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the Financial Statements and Notes have been adjusted in all material respects to reflect the impact of this information.

The Financial Statements and Notes have not been adjusted for the following events which took place after 31 March 2011 as although they provide information that is relevant to an understanding of the Authority's financial position they do not relate to conditions at that date:

RBT (Connect) Ltd

On 17 April 2003 the Authority signed a strategic partnership with BT plc, forming a joint venture company, RBT (Connect) Limited which has been central to the Authority's efforts to improve the quality of service delivery to the public. The contract was scheduled for completion in March 2015.

On 8 June 2011, the Council took a decision to seek early completion of the partnership and conclude the work of the highly successful joint venture. This decision has been taken to enable the Council to put itself in a strong position to take advantage of new policy developments, such as the drive towards shared services with other councils, which can be pursued more easily outside of the current structure and will result in future additional net annual savings.

The Council is working together with BT to finalise the detail of the transition arrangements, but access to services will be unchanged and customers will be unaffected.

Other Financial Statements and Notes to the Other Financial Statements

Housing Revenue Account (HRA)

The Collection Fund Income and Expenditure Account

Metropolitan Debt Administration

Group Accounts

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

The Housing Revenue Account (HRA) shows the economic cost in the year of providing housing services in accordance with generally accepted accounting principles, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

2009/10 £000		2010/11 £000	Notes
	Expenditure		
14,637	Repairs and maintenance	16,189	
8,846	Supervision and management	8,763	
8,491	ALMO Management Fee	10,677	
(1)	Rents, rates, taxes and other charges	34	
12,508	Negative subsidy - payments to Secretary of State	15,501	
73,537	Depreciation and impairment of Non Current Assets	226,632	
218	Debt management costs	164	
250	Provision for bad or doubtful debts	283	10
153	Amortisation of Revenue Expenditure funded by Capital under Statute	49	11
118,639	Total Expenditure	278,292	
	Income		
55,664	Dwelling rents	57,875	
1,770	Non-dwelling rents	756	
1,620	Charges for services and facilities	3,067	
13,064	HRA subsidy receivable	14,909	
72,118	Total Income	76,607	
46,521	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	201,685	
242	HRA services share of Corporate and Democratic Core	244	
294	HRA share of other amounts included in whole Authority Cost of Services but not allocated to specific services	3,399	
47,057	Net Cost of HRA Services	205,328	
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
1,708	Gain or loss on sale of HRA Non Current Assets	149	12
10,610	Interest Payable and similar charges	10,916	13
(57)	Interest receivable	(37)	
198	Pensions interest cost and expected return on pension assets	144	14
(2,626)	Capital grants and contributions receivable	(6,568)	
56,890	Surplus (-)/Deficit (+) for the year on HRA services	209,932	

Movement on the Housing Revenue Account Statement

This statement takes the outturn on the HRA Income and Expenditure Statement and reconciles it to the surplus or deficit or the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

	2009/10 £000			2010/11 £000
	(6,193)	Balance on the HRA at the end of the previous year		(6,890)
56,890		Surplus/Deficit for the year on HRA Income and Expenditure Account	209,932	
(57,521)		Adjustments between accounting basis and funding basis under statute	(206,079)	
(631)		Net (increase)/decrease before transfers to or from reserves	3,853	
(66)		Transfers (from)/to reserves	265	
	(697)	(Increase)/decrease in year on the HRA		4,118
	(6,890)	Balance on the HRA at the end of the current year		(2,772)

Notes to the Housing Revenue Account

Note 1 Adjustments between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure

2010/11	Usable Reserves		
	Housing Revenue Account £000	Major Repairs Reserve £000	Movement in Usable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:			
Charges for impairment of non current assets	217,819	0	217,819
Capital grants and contributions applied	(6,568)	0	(6,568)
Revenue expenditure funded from capital under statute	49	0	49
Gain/Loss on disposal on non current assets charged to the Comprehensive Income and Expenditure Statement	149	0	149
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement			
Capital expenditure charged against the General Fund and HRA balances	(4,030)	0	(4,030)
Adjustments primarily involving the Major Repairs Reserve			
Reversal of Major Repairs Allowance credited to the HRA	(868)	868	0
HRA Depreciation to the Capital Adjustment Account	0	12,399	12,399
Use of the Major Repairs Reserve to finance new capital expenditure	0	(15,462)	(15,462)
Adjustment primarily involving the Financial Instruments Adjustment Account			
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in			

2010/11	Usable Reserves		
	Housing Revenue Account £000	Major Repairs Reserve £000	Movement in Usable Reserves £000
accordance with statutory requirements	(96)	0	(96)
<u>Adjustments primarily involving the Pensions Reserve</u>			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(92)	0	(92)
Employer's pension contributions and direct payments to pensioners payable in the year	(279)	0	(279)
Short-term Accumulated Absences Account	(5)	0	(5)
Total Adjustments	206,079	(2,195)	203,884

2009/10	Usable Reserves		
	Housing Revenue Account £000	Major Repairs Reserve £000	Movement in Usable Reserves £000
<u>Adjustments primarily involving the Capital Adjustment Account:</u>			
Charges for impairment of non current assets	56,917	0	56,917
Capital grants and contributions applied	(2,651)	0	(2,651)
Revenue expenditure funded from capital under statute	153	0	153
Gain/Loss on disposal on non current assets charged to the Comprehensive Income and Expenditure Statement	1,707	0	1,707
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>			
Capital expenditure charged against the General Fund and HRA balances	(2,100)	0	(2,100)
<u>Adjustments primarily involving the Major</u>			

2009/10	Usable Reserves		
	Housing Revenue Account £000	Major Repairs Reserve £000	Movement in Usable Reserves £000
<u>Repairs Reserve</u>			
Reversal of Major Repairs Allowance credited to the HRA	3,556	(3,556)	0
HRA Depreciation to the Capital Adjustment Account	0	16,620	16,620
Use of the Major Repairs Reserve to finance new capital expenditure	0	(11,189)	(11,189)
<u>Adjustment primarily involving the Financial Instruments Adjustment Account</u>			
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(168)	0	(168)
<u>Adjustments primarily involving the Pensions Reserve</u>			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	378	0	378
Employer's pension contributions and direct payments to pensioners payable in the year	(271)	0	(271)
Total Adjustments	57,521	1,875	59,396

Note 2 Transfers to or from Earmarked Reserves

2010/11	Balance as At 1 April 2010 £000	Transfers in And Contributions To Reserves £000	Transfers out And Contributions From Reserves £000	Balance as At 31 March 2011 £000
Furnished Homes	0	265	0	265
Total	0	265	0	265

2009/10	Balance as At 1 April 2009 £000	Transfers in And Contributions To Reserves £000	Transfers out And Contributions From Reserves £000	Balance as At 31 March 2010 £000
Furnished Homes	66	0	(66)	0
Total	66	0	(66)	0

Note 3 Housing Stock at 31 March 2011

	Houses	Flats	Bungalows	Total
1 Bedroom 2 Bedroom 3 Bedroom 4+ Bedroom	4 1,959 8,615 234	2,196 2,818 304 10	2,781 1,912 44 0	4,981 6,689 8,963 244
Total	10,812	5,328	4,737	20,877

Note 4 Housing Stock Valuations

(a) Property, Plant and Equipment

	Council Dwellings £000	Land & Buildings £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Cost or Valuation At 1 April 2010	781,297	8,861	16,489	0	806,647
Additions	32,423	65	0	0	32,488
Accumulated depreciation & impairment written out to gross cost/valuation	(82,707)	(1,055)	(1)	0	(83,763)
Revaluation increases/(decreases) recognised in the					

	Council Dwellings £000	Land & Buildings £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Revaluation Reserve	(6,610)	75	(6,793)	185	(13,143)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(181,787)	(117)	(3,587)	0	(185,491)
Derecognition – disposals	(722)	0	(1,357)	0	(2,079)
Assets reclassified (to)/from Held for Sale	0	0	(559)	0	(559)
Other movements in cost or valuation	(68)	0	(579)	647	0
At 31 March 2011	541,826	7,829	3,613	832	554,100
<u>Accumulated Depreciation and Impairment</u>					
At 1 April 2010	(82,681)	(1,056)	(1)	0	(83,738)
Depreciation charge	(12,139)	(259)	(2)	0	(12,400)
Accumulated depreciation written out to gross cost/valuation	16,493	269	1	0	16,763
Accumulated impairment written out to gross cost/valuation	66,215	787	0	0	67,002
Impairment (losses)/reversals recognised in the Revaluation Reserve	(593)	0	0	0	(593)
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	(31,892)	(65)	0	0	(31,957)
Derecognition – disposals	10	0	2	0	12
At 31 March 2011	(44,587)	(324)	0	0	(44,911)
Net Book Value:					
At 31 March 2011	497,239	7,505	3,613	832	509,189
At 31 March 2010	698,616	7,805	16,488	0	722,909

Other assets including district boiler houses have been classified as intrinsic to the day to day operation of the housing estates in which they are located and as such have no asset value in their own right. Garage structures are valued based upon capitalised income streams.

Other operational property plant and equipment such as estate shops and area housing offices are held within the General Fund Asset Register.

(b) Vacant possession

	£m
Value as at 1 April 2010	1,646

The difference between the Balance Sheet valuation of dwellings shown at (a) above and the vacant Possession value reflects the economic cost to Government of providing Council Houses at less than open market rents.

Note 5 Major Repairs Reserve

The Council is required by regulation to establish a Major Repairs Reserve. The main credit to the account comprises the total depreciation charge for all Housing Revenue Account assets. Capital expenditure is then funded from the reserve without being charged to the Housing Revenue Account.

The Council is entitled to reverse out of the account any depreciation charged in excess of the Government's Major Repairs Allowance (MRA). In 2010/11, the depreciation charged to the account less the MRA of £13.267m equals the reversal of the depreciation figure shown below (£0.868m).

2009/10 £000		2010/11 £000
320	Balance as at 1 April	2,195
16,620	Depreciation in the year	12,399
(3,556)	Reversal of depreciation in excess of MRA	868
0	Adjustment to MRR in respect of Depreciation	0
(11,189)	Financing of Capital Expenditure	(15,462)
2,195	Balance as at 31 March	0

Note 6 Financing of Capital Expenditure

Capital expenditure on Land, Houses and Other Property within the HRA was financed as follows:

	2010/11 £000
Borrowing Need	11,540
Capital Receipts	3,157
Revenue Contributions	4,030
Government Grants / Other Capital Income	7,017
Major Repairs Reserve	15,462
Total	41,206

During the year total capital receipts of £2.188m were received by the HRA, of which £1.216m was available to support capital expenditure within the Council. To support the

Housing Investment Programme (HIP) £3.291m of Right to Buy and Land receipts were used leaving an accumulated balance of £0.958m unused.

To ensure that these items do not affect the amount of rent income from tenants that are required to balance the HRA budget, these costs are reversed out by means of an adjustment in the movement on the Housing Revenue Account Balance. This leaves the HRA to continue to bear its share of the Council's debt management and financing costs.

Note 7 Depreciation

A depreciation charge has been included in respect of dwelling houses within the Housing Revenue Account. This charge is based upon the value of the dwelling stock at the 1 April 2010 excluding the value of land. Depreciation has been calculated using the 'straight line' method over 30 years in line with Government Guidance.

An additional depreciation charge has been included in the total charged to the Housing Revenue Account in respect of garages. This charge is based upon the value at 1 April 2010 and has been calculated using the 'straight line' method over 30 years.

Note 8 Impairment

An impairment charge of £217.819m has been included in the HRA Income and Expenditure Account (£56.917m in 2009/10). This charge is reflected in the HRA Income and Expenditure Account in assessing the deficit on HRA Services but reversed out in determining the movement on the HRA Balance.

Note 9 HRA Subsidy

2009/10 £000	Notional HRA for Subsidy Calculation	2010/11 £000
32,680	Management and Maintenance	33,318
13,064	Major Repairs Allowance	13,267
0	Rent Constraint Allowance	0
12,224	Charges for Capital	13,045
0	Interest on Receipts	2
0	Admissible Allowance	0
(58,753)	Guideline Rent Income	(59,673)
(785)		(41)
(75)	Defects grant and prior year adjustments	(19)
(860)	Notional Surplus (to be paid to Government)	(60)

All councils are required to produce a notional HRA for subsidy calculation purposes using measures of income and expenditure determined by central Government. If there is a surplus on the notional HRA, that surplus has to be paid to central Government from the actual HRA. The notional HRA's net surplus, after allowing for receiving Major Repairs Allowance, to be paid to the Department of Communities and Local Government (DCLG) is shown above.

Note 10 Rent Arrears & Other Provisions for Bad and Doubtful Debts

2009/10 £000	Rent Arrears	2010/11 £000
987	Current Tenants	824
2,058	Former Tenants	2,063
3,045	As at 31 March	2,887

As at 31 March 2011, the level of rent arrears for current tenants as a proportion of gross rent income was 1.66% (1.72% 2009/10).

2009/10 £000	Bad Debt Provision in respect of rent income	2010/11 £000
1,825 249	As at 1 April Increase in Provision	2,074 146
2,074	As at 31 March	2,220

Provision has also been made in the accounts for write-offs in respect of tenants' and former tenants' rechargeable repairs are as follows:

2009/10 £000	Bad Debt Provision in respect of the rechargeable repairs	2010/11 £000
92 1	As at 1 April Increase / (Decrease) in Provision	93 44
93	As at 31 March	137

Note 11 Amortisation of Revenue Expenditure financed from Capital under Statute

In 2010/11 the cost debited to the HRA was £0.049m (£0.153m in 2009/10).

Note 12 Gain or Loss on Sale of HRA Non Current Assets

The payment of a share of housing capital receipts to the Government counts as a loss in the HRA Income and Expenditure Account, but is met from the usable capital receipts balance rather than Council Tax.

Note 13 Interest Payable and Other Charges

This is the cost of external interest payable together with the cost of debt redemption premium.

Note 14 Contributions to and from the Pensions Reserve

Local authorities are required to account for their pension costs on an IAS 19 basis, but to reverse the impact of IAS 19 based accounting to the Pensions Reserve to ensure that it does not impact on housing rents.

THE COLLECTION FUND

By statute, billing Authorities are required to maintain a separate Collection Fund which shows the level of National Non Domestic Rates, Council Tax and the residual Community Charge received by the Authority during the accounting period and the distribution of these funds.

REVENUE ACCOUNT FOR YEAR ENDED 31 MARCH 2011

2009/10 £000	2009/10 £000		2010/11 £000	2010/11 £000	Note
86,993		Council Tax	89,104		
21,216	108,209	Council Tax Benefits	22,433	111,537	
	66,093	National Non-Domestic Rates		61,183	2
	174,302	Total Income		172,720	
		Precepts			
91,617		Rotherham Borough Council	94,460		
9,616		South Yorkshire Police Authority	9,934		
4,372	105,605	South Yorkshire Fire & Civil Defence	4,517	108,911	
		Distribution of Collection Fund			
	1,180	Surplus		1,662	
	65,357	Contribution to NNDR Pool		60,141	
		Bad Debts			
(189)		NNDR	318		
(502)		Council Tax	511		
0	(691)	Community Charge	0	829	
	373	Council Tax Write-Offs		252	
	622	NNDR Write-Offs		413	
	311	Collection Costs – NNDR		311	
	172,757	Total Expenditure		172,519	
	(1,545)	(Surplus) / Deficit for the year		(201)	

THE COLLECTION FUND BALANCE

2009/10 £000		2010/11 £000	Note
(1,323)	Balance as at 1 April	(2,868)	
(1,545)	(Surplus) / Deficit for the year	(201)	
(2,868)	Balance as at 31 March	(3,069)	5

Notes to the Collection Fund Statement

Note 1 Council Tax

The Council Tax system involves the categorisation of properties into bands (A-H) dependent upon their value. It is a requirement of the Local Government Finance Act 1992 that the basis on which the Council Tax is calculated should be expressed as a ratio of the Band D equivalent. Totals of properties falling into bands other than Band D therefore have to be adjusted to reflect their relationship to this band. The effect of this for 2010/11 is shown below.

Adjustments to the Council Tax base to reflect the estimated collection rate of Council Tax are also set out below:

Band	Number of Band D Equivalents properties	Ratio to Band D	Collection Rate @ 97%
A	35,577	6/9	34,510
B	14,935	7/9	14,487
C	11,439	8/9	11,096
D	7,643	9/9	7,413
E	4,694	11/9	4,553
F	2,173	13/9	2,108
G	873	15/9	847
H	59	18/9	57
	77,393		75,071

Note 2 National Non-Domestic Rates (NNDR) – Business Rates

Business Rates continue to be levied on non-domestic premises but the rate in the pound is determined by Central Government and is applied nationally (the national multiplier). All income from Business Rates is forwarded to Central Government and redistributed to individual Local Authorities on a population basis.

The NNDR collectable of £61,182,850 for 2010/11 (£66,093,036 in 2009/10) after allowing for reliefs and provisions was based on a total rateable value of £185,950,371 (£158,374,680 as at 31 March 2010) and a national multiplier of 41.4 pence in the pound and a small business rating multiplier of 40.7 pence in the pound (48.5 pence and 48.1 pence respectively in 2009/10).

Note 3 Community Charge

Although the Community Charge system was replaced by the Council Tax on 1 April 1993, the Council continues to account for cash collected in relation to the Community Charges raised in previous years in the Collection Fund.

Note 4 Discounts

The Council does not operate a discount scheme for the early payment of Council Tax. The council granted 100% discount for the 2010/11 financial year for those properties affected by the 2007 flooding whilst they remained uninhabitable – the discount was partly offset by a grant from Central Government.

Note 5 Collection Fund Balance

The balance on the Collection Fund at 31 March 2011 (£3.069m) represents funds ultimately to be distributed to the billing Authority (Rotherham MBC) and the major precepting Authorities (South Yorkshire Police Authority and South Yorkshire Fire and Civil Defence Authority) as follows:

2009/10 £000		2010/11 £000
2,412	Billing Authority – Rotherham MBC	2,724
	Major Precepting Authorities:	
318	- South Yorkshire Police Authority	237
138	- South Yorkshire Fire and Civil Defence Authority	108
2,868	Total	3,069

Amounts payable to the Major Precepting Authorities are shown in the Balance Sheet net of amounts owed by the Authorities in respect of Council Tax Debtors.

Note 6 Parish Precepts

Precept demands are issued by the parishes on the Council as Billing Authority. In turn the Council issues a precept on the Collection Fund for the year inclusive of the parish precepts payable. The payment of the parish precepts appears as a charge in the Income and Expenditure Account.

METROPOLITAN DEBT ADMINISTRATION

The Council became responsible for the administration of the former South Yorkshire County Council Debt from 1 April 1986. The following statements account for the administration of the Metropolitan Debt.

2009/10 £000	Capital Account	2010/11 £000
(7,462)	Cash at bank 1 April	(12,097)
(158)	Transfer to/(from)Financial Instruments Adjustments Account	(108)
0	Adjustment to loans outstanding for interest accruals	27
0	Add: Expenditure in the year – Loans repaid	5,600
(7,620)		(6,578)
	Less Income:	
0	Loans raised	0
4,477	Repayments by Relevant Authorities	4,925
(12,097)	(+)Cash Overdrawn / (-)Cash at bank 31 March	(11,503)

2009/10 £000	Revenue Account	2010/11 £000
5,950	Interest Paid on Outstanding Loans	5,802
174	Management and other expenses	124
6,124		5,926
	Less Income:	
47	Notional Interest	56
6,077		5,870
6,077	Recharge to Relevant Authorities	5,870
0		0

2009/10 £000	Balance Sheet as at 31 March	2010/11 £000
	Capital Liabilities	
103,879	Loans Outstanding	98,253
(12,097)	(+)Cash Overdrawn / (-)Cash at bank	(11,503)
91,782		86,750
	Capital Assets	
91,258	Advances Outstanding	86,334
	Reserves	
524	Financial Instruments Adjustments Account (FIAA)	416
91,782		86,750

Note 1 Financial Instruments – Balances

The borrowings disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long Term		Short Term	
	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000
Financial liabilities (principal amount) - PWLB	96,412	96,412	5,600	0
Financial liabilities at amortised cost - PWLB	96,412	96,412	7,467	1,841
Loans and receivables (principal amount)	0	0	0	0
Loans and receivables at amortised cost	0	0	0	0

Note 2 Financial Instruments – Maturity Analysis

The maturity analysis of financial liabilities is as follows:

31 March 2010 £000		31 March 2011 £000
7,467	Less than one year	1,841
0	Between one and two years	0
19,412	Between two and seven years	59,412
77,000	Between seven and fifteen years	37,000
0	More than fifteen years	0
103,879		98,253

Note 3 Financial Instruments – Fair Values

The fair values of the financial instruments are as follows:

31 March 2010			31 March 2011	
Carrying amount £000	Fair Value £000		Carrying amount £000	Fair Value £000
103,879	118,670	Financial Liabilities – Debt	98,253	114,533
0	0	Loans and Receivables	0	0

The fair value for financial liabilities is greater than the carrying value because the portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

Note 4 Financial Instruments Adjustment Account

This reserve has been opened to hold the accumulated difference between the financing costs included in the Revenue Account and the accumulated financing costs required in accordance with regulations to be charged to the Metropolitan Debt Administration Account.

The SORP requires that unless directly attributable to a loan held at 31 March 2007 then all premiums and discounts carried on the Balance Sheet at that date are to be written off as at 1 April 2007. Government regulations allow for this impact to be neutralised through transfer to a new account, the Financial Instruments Adjustment Account. The balance of premium and discounts is amortised to the Revenue Account in line with the provisions set down in the Council's accounting policies.

2009/10 £000		2010/11 £000
682	Balance at 1 April	524
	Movement in year	
(158)	Premium and discounts	(108)
524	Balance carried forward at 31 March	416

Note 5 Authorised Limit and Operational Boundary

The Council's operational boundary for external debt for the year was £96.412m and its Authorised Limit for External Debt, the statutory limit determined under section 3(i) of the Local Government Act 2003, was £96.412m.

GROUP ACCOUNTS

Group accounts are required where an authority has interests in subsidiaries, associates and / or jointly controlled entities whose activities are in aggregate material in relation to those of the authority. They therefore show the full economic implications and service delivery of an authority conducting its activities through such undertakings.

The Council has reviewed its group boundary as part of the transition to IFRS.

As a result of a change in the method of consolidation of joint ventures under IFRS, neither the activities of RBT (Connect) Limited nor Digital Region Limited are significant in the context of group accounts and no longer form part of the group.

The group therefore now comprises the Council and its wholly owned subsidiary 2010 Rotherham Limited (the company).

Further detail on the nature of the Council's interest in 2010 Rotherham is provided in Note 17.

Basis of consolidation

In accordance with the requirements of IFRS, the group financial statements have been prepared by adding like items of income and expenditure, assets, liabilities, and reserves on a line by line basis and then eliminating intra group transactions and balances between the Council and the company.

The accounts of the company have the same reporting date as that of the Council, ie 31 March. The company's draft accounts for the year ended 31 March 2011 have therefore been used in preparing the group financial statements.

The company prepares its accounts under UK Generally Accepted Accounting Practice (UK GAAP) rather than IFRS. However, a review of the company's accounting policies has confirmed that preparing their accounts on an IFRS basis rather than UK GAAP would have little or no impact on their financial results. Accordingly, no consolidation adjustments have been made for group accounts purposes.

As highlighted in the Explanatory Foreword, the Council's decision on 23 February 2011 to bring the housing management function back under the direct control of the Council has resulted in the directors of the company electing to wind it up once the existing management agreement expires on 30 June 2011. In our view, this gives rise to a construction obligation for the assets and liabilities of the company to be recognised in the Council's single entity accounts. Accordingly the following amounts have been recognised in the Council's balance sheet at 31 March 2011:

- net trading liabilities of the company as at 31 March 2011 - £3,272,000;
- pension strain costs - £633,000; and
- FRS 17 pension liability - £5,430,000

Consolidation adjustments have been made to prevent these liabilities from being recognised twice in the group accounts.

Group financial statements

The group financial statements comprise:

- Group Comprehensive Income and Expenditure Account
- Group Movement in Reserves Statement
- Group Balance Sheet
- Group Cashflow Statement

- Group notes to the accounts - these provide additional information where group figures are materially different to those already disclosed in the notes to the main financial statements

Group Comprehensive Income and Expenditure Statement

This Statement shows the group's surplus or deficit on the provision of services and other gains and losses recognised in the year prior to any statutory adjustments for the differences between the way transactions are presented on a strict accounting basis and the amounts which are required to be met under legislation from local taxpayers and housing rents to meet the cost of General Fund and HRA services. The amount to be met from local taxpayers and housing rents is shown in the Movement in Reserve Statement.

The group did not acquire any new operations in either 2009/10 or 2010/11. All of the income and expenditure relates to continuing operations.

2009/10 Net Cost £000		Gross Expenditure £000	Gross Income £000	2010/11 Net Cost £000	Notes
82,014	Adult Social Care	121,109	(32,576)	88,533	
2,222	Central Services to the Public	2,879	(778)	2,101	
125,851	Education and Children Services	337,281	(258,305)	78,976	
59,575	Cultural, Environmental Regulatory and Planning Services	73,054	(21,098)	51,956	
28,542	Highways and Transport Services	38,015	(3,821)	34,194	
49,284	Local Authority Housing (HRA)	264,032	(76,673)	187,359	
6,065	Other Housing Services	112,329	(110,023)	2,306	
(443)	Corporate and Democratic Core	6,743	(1,394)	5,349	
1,164	Non Distributed Costs	(37,962)	(53)	(38,015)	
354,274	Net Cost of Service	917,480	(504,721)	412,759	
6,859	Other Operating Expenditure	23,555	0	23,555	
48,152	Financing and Investment Income and Expenditure	47,083	(1,978)	45,105	
0	Profit or loss on Discontinued Operations	0	0	0	
(294,630)	Taxation & Non-Specific Grant Income	0	(284,280)	(284,280)	
114,655	**(Surplus) or Deficit on Provision of Services before tax**	988,118	(790,979)	197,139	
9	Corporation tax	0	(14)	(14)	
114,664	**(Surplus) or Deficit on Provision of services after tax**	988,118	(790,993)	197,125	
(4,750)	(Surplus) or Deficit on Revaluation of Non Current Assets			(949)	
(731)	Write down of Met Debt			(804)	
114,569	Actuarial (Gains) or Losses on Pension Assets & Liabilities			(44,612)	
109,088	**Other Comprehensive Income & Expenditure**			(46,365)	
223,752	**Total Comprehensive Income & Expenditure**			150,760	

Group Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves' (which are not available for use and are detailed in Note 38). The 'surplus or (deficit) on the provision of services' line shows the true economic cost of providing services, more details of which are shown in the Group Comprehensive Income and Expenditure Statement. The “adjustments between accounting basis and funding basis under regulations” line represents the statutory adjustments required to arrive at the amounts to be charged to the General Fund Balance for Local Tax purposes. The 'net increase /decrease before transfers to statutory and other reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from statutory and other reserves undertaken by the Council.

Opening balances at 1 April 2009 and closing balances at 31 March 2010 have been restated for the effect of the transition to IFRS. The overall adjustments at 31 March 2010 arising from restatement are shown in section 2 of the Explanatory Foreword.

2009/10	General Reserves Council £000	General Reserves 2010 Rotherham Ltd £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserves £000	Capital Grants Unapplied £000	Total Group Usable Reserves £000	Unusable Reserves Council £000	Unusable Reserves 2010 Rotherham Ltd £000	Total Group Reserves £000	Notes
Balance as at 31 March 2009 as reported	**13,800**	**(1,719)**	**31,997**	**6,193**	**66**	**6,353**	**320**	**0**	**57,010**	**580,231**	**(6,822)**	**630,419**	
Restatement Adjustment for IFRS	0	0	4,294	0	0	0	0	11,618	15,912	77,856	0	93,768	
Balance as at 1 April 2009	**13,800**	**(1,719)**	**36,291**	**6,193**	**66**	**6,353**	**320**	**11,618**	**72,922**	**658,087**	**(6,822)**	**724,187**	
Movement in reserves during the year:													
Surplus or (deficit) on the provision of services	(54,640)	(3,134)	0	(56,890)	0	0	0	0	(114,664)	0	0	(114,664)	
Other													

2009/10	General Reserves Council £000	General Reserves 2010 Rotherham Ltd £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserves £000	Capital Grants Unapplied £000	Total Group Usable Reserves £000	Unusable Reserves Council £000	Unusable Reserves 2010 Rotherham Ltd £000	Total Group Reserves £000	Notes
Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	0	(96,859)	(12,229)	(109,088)	
Total Comprehensive Income and Expenditure	**(54,640)**	**(3,134)**	**0**	**(56,890)**	**0**	**0**	**0**	**0**	**(114,664)**	**(96,859)**	**(12,229)**	**(223,752)**	
Adjustments between accounting basis & funding basis under regulations	52,434	2,478	0	57,521	0	(2,352)	1,875	10,821	122,777	(120,299)	(2,478)	0	
Net Increase / (Decrease) before Transfers to Statutory and Other Reserves	**(2,206)**	**(656)**	**0**	**631**	**0**	**(2,352)**	**1,875**	**10,821**	**8,113**	**(217,158)**	**(14,707)**	**(223,752)**	
Transfers to/(from) Earmarked Reserves	(2,716)	0	2,716	66	(66)	0	0	0	0	0	0	0	
Increase / (Decrease) in Year	**(4,922)**	**(656)**	**2,716**	**697**	**(66)**	**(2,352)**	**1,875**	**10,821**	**8,113**	**(217,158)**	**(14,707)**	**(223,752)**	

2009/10	General Reserves Council £000	General Reserves 2010 Rotherham Ltd £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserves £000	Capital Grants Unapplied £000	Total Group Usable Reserves £000	Unusable Reserves Council £000	Unusable Reserves 2010 Rotherham Ltd £000	Total Group Reserves £000	Notes
At 31 March 2010	**8,878**	**(2,375)**	**39,007**	**6,890**	**0**	**4,001**	**2,195**	**22,439**	**81,035**	**440,929**	**(21,529)**	**500,435**	

2010/11	General Reserves Council £000	General Reserves 2010 Rotherham Ltd £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserves £000	Capital Grants Unapplied £000	Total Group Usable Reserves £000	Unusable Reserves Council £000	Unusable Reserves 2010 Rotherham Ltd £000	Total Group Reserves £000	Notes
Balance as at 1 April 2010	**8,878**	**(2,375)**	**39,007**	**6,890**	**0**	**4,001**	**2,195**	**22,439**	**81,035**	**440,929**	**(21,529)**	**500,435**	
Movement in reserves during the year:													
Surplus or (deficit) on the provision of services	(587)	13,394	0	(209,932)	0	0	0	0	(197,125)	0	0	(197,125)	
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	0	35,855	10,510	46,365	
Total Comprehensive Income and Expenditure	**(587)**	**13,394**	**0**	**(209,932)**	**0**	**0**	**0**	**0**	**(197,125)**	**35,855**	**10,510**	**(150,760)**	
Adjustments between accounting basis & funding basis under regulations	(2,507)	(11,019)	0	206,079	0	(1,215)	(2,195)	2,902	192,045	(203,064)	11,019	0	
Net Increase/Decrease before Transfers to Statutory and Other Reserves	**(3,094)**	**2,375**	**0**	**(3,853)**	**0**	**(1,215)**	**(2,195)**	**2,902**	**(5,080)**	**(167,209)**	**21,529**	**(150,760)**	

2010/11	General Reserves Council £000	General Reserves 2010 Rotherham Ltd £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserves £000	Capital Grants Unapplied £000	Total Group Usable Reserves £000	Unusable Reserves Council £000	Unusable Reserves 2010 Rotherham Ltd £000	Total Group Reserves £000	Notes
Transfers to/(from) Earmarked Reserves	5,446	0	(5,446)	(265)	265	0	0	0	0	0	0	0	
Increase/Decrease in Year	**2,352**	**2,375**	**(5,446)**	**(4,118)**	**265**	**(1,215)**	**(2,195)**	**2,902**	**(5,080)**	**(167,209)**	**21,529**	**(150,760)**	
At 31 March 2011	**11,230**	**0**	**33,561**	**2,772**	**265**	**2,786**	**0**	**25,341**	**75,955**	**273,720**	**0**	**349,675**	

Group Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the group. The net assets of the group (assets less liabilities) are matched by the reserves held by the group. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the group may use to provide services subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the group is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

As Restated 1 April 2009 £000	As Restated 31 March 2010 £000		31 March 2011 £000	Notes
1,404,971	1,381,127	Property, Plant and Equipment	1,173,899	
49,048	49,170	Investment Property	46,443	
793	581	Intangible assets	156	
21,079	10,324	Long Term Investments	1,760	
523	559	Long Term Debtors	999	
1,476,414	1,441,761	**Long Term Assets**	1,223,257	
66,294	6,074	Short Term Investments	776	
1,299	1,295	Assets held for sale	1,142	
995	855	Inventories (Stock)	538	
48,375	55,679	Short term debtors	40,047	
15,876	20,396	Cash and Cash Equivalents	19,669	
132,839	84,299	**Current Assets**	62,172	
(5,509)	(29,840)	Bank Overdraft	(10,641)	
(4,792)	(19,677)	Short Term Borrowing	(26,749)	
(101,036)	(96,497)	Short Term Creditors	(92,189)	
(360)	(564)	Provisions	(2,437)	
(111,697)	(146,578)	**Current Liabilities**	(132,016)	
(20,946)	(15,891)	Provisions	(14,396)	
0	(231)	Long term creditors	0	
(416,638)	(397,753)	Long Term Borrowing	(420,636)	
(330,002)	(461,016)	Other long term liabilities	(368,240)	
(5,783)	(4,156)	Capital grants receipts in advance	(466)	
(773,369)	(879,047)	**Long Term Liabilities**	(803,738)	
724,187	500,435	**Net Assets**	349,675	
(72,922)	(81,035)	Usable reserves	(75,955)	
(651,265)	(419,400)	Unusable reserves	(273,720)	
(724,187)	(500,435)	**Total Reserves**	(349,675)	

Group Cash Flow Statement

	2009/10 £000	2010/11 £000	Notes
Net (surplus) or deficit on the provision of services	114,664	197,125	
Adjustments to net surplus or deficit on the provision of services for non-cash movements	(138,596)	(226,903)	
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	0	0	
Net cash outflows / (inflows) from Operating Activities	(23,932)	(29,778)	
Investing Activities	37,472	37,996	
Financing Activities	6,271	(26,690)	
Net (increase) or decrease in cash and cash equivalents	19,811	(18,472)	
Bank Overdraft at the beginning of the reporting period	(5,509)	(29,840)	
Cash and cash equivalents at the beginning of the reporting period	15,876	20,396	
Bank Overdraft at the end of the reporting period	(29,840)	(10,641)	
Cash and cash equivalents at the end of the reporting period	20,396	19,669	

Notes to the Group Accounts

Note 1 Accounting policies

The accounting policies specified for the Council's single entity financial statements have been applied in preparing the group accounts. Whilst 2010 Rotherham prepares its accounts under UK Generally Accepted Accounting Practice (UK GAAP) rather than IFRS, no realignment of accounting policies is considered necessary as preparing the company's accounts on an IFRS basis rather than UK GAAP would have little or no impact on their financial results. Accordingly, no consolidation adjustments have been made.

Note 2 Group Comprehensive Income and Expenditure Statement

2010 Rotherham's surplus / (deficit) has been consolidated into the group CIES as follows:

2009/10 £000		2010/11 £000	Notes
(2,226)	Operating (loss) / profit	5,624	
(899)	Interest payable and similar charges	(946)	
(3,125)	Surplus or (deficit) before tax	4,678	
(9)	Corporation tax	14	
(3,134)	Surplus or (deficit) after tax	4,692	
0	Derecognition of net trading liabilities included within the Council's single entity accounts	3,272	
0	Derecognition of FRS 17 pension liability included within the Council's single entity accounts	5,430	
(3,134)	Surplus or (deficit) on provision of services	13,394	

The operating profit in 2010/11 was after crediting FRS 17 pension costs of £4.820m (2009/10 charge of £3.432m).

Turnover between the company and the Council of £22.796m (2009/10 £33.381m) has been eliminated on consolidation together with support service recharges from the Council to the company amounting to £3.465m (2009/10 £5.051m).

Note 3 Adjustments between accounting basis and funding basis

The amounts included within the group Movement in Reserves Statement relating to 2010 Rotherham are as follows:

2009/10 £000		2010/11 £000	Notes
4,307	FRS 17 pension costs charged / (credited) to the surplus or deficit on the provision of services	(3,890)	
(1,829)	Employer pension contributions	(1,699)	
0	Derecognition of pension liability recognised within the Council's single entity accounts	(5,430)	
2,478	Contribution from / (to) pensions reserve	(11,019)	

Note 4 Staff Remuneration

Details of the number of 2010 Rotherham employees whose remuneration was £50,000 or more, expressed in bands of £5,000 are as follows:

2009/10 Officers		2010/11 Officers
1	£50,000 - £54,999	2
1	£55,000 - £59,999	1
0	£60,000 - £64,999	0
1	£65,000 - £69,999	0
1	£70,000 - £74,999	1
1	£75,000 - £79,999	0
0	£80,000 - £84,999	1
0	£85,000 - £89,999	0
0	£90,000 - £94,999	1
0	£95,000 - £99,999	0
0	£100,000 - £104,999	0
0	£105,000 - £109,999	0
0	£110,000 - £114,999	0
0	£115,000 - £119,999	1
0	£120,000 - £124,999	0
0	£125,000 - £129,999	0
0	£130,000 - £134,999	0
0	£135,000 - £139,999	1

Note 5 Pensions

The movement in 2010 Rotherham's pensions liability is as follows:

2009/10 £000		2010/11 £000	Notes
(6,822)	Deficit at 1 April	(21,529)	
	Pension costs (charged) / credited to the surplus or (deficit) on provision of services:		
(1,472)	Current service cost	(1,574)	
0	Past service gain	4,419	
(1,960)	Settlements and curtailments	1,975	
(3,432)	Amount (charged) / credited to the operating surplus or (loss)	4,820	
(875)	Interest payable and similar charges	(930)	
(4,307)	Overall amount (charged) / credited to the surplus or (deficit) on provision of services	3,890	
(12,229)	Actuarial (loss) / gain	10,510	
1,829	Employer contributions	1,699	
(21,529)	Deficit at 31 March	(5,430)	

Note 6 Debtors and creditors

Group debtors and creditors are stated after elimination of £6.330m comprising £3.155m due from the Council to 2010 Rotherham and £3.175m due from 2010 Rotherham to the Council (2009/10 £16.532m comprising £11.258m due from the Council to 2010 Rotherham and £5.274m due from 2010 Rotherham to the Council).

Accounting Policies

A) Statement of Accounting Policies

B) Accounting Standards issued but not yet adopted

C) Critical Judgements in applying Accounting Policies

D) Assumptions made about the future and other major sources of estimation

A Statement of Accounting Concepts and Policies

1 General

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The International Accounting Standards Board Framework sets out the concepts that underlie the preparation and presentation of financial statements. Such concepts are the foundation on which financial statements are constructed and provide a platform from which accounting standards are developed.

The Framework is not an accounting standard but specifies that there are two fundamentally important assumptions on which financial statements are based:

- The accrual basis of accounting
- The going concern basis

In deciding what information to include in the accounts, when to include it and how to present it, the aim is to ensure information is useful to the users of the accounts in making economic decisions. To ensure the information is useful four qualitative attributes are applied that leads to accounts that are:

- Understandable
- Relevant
- Reliable
- Comparable

Relevance is affected by its nature and materiality. Rather than representing a qualitative attribute, materiality provides a threshold against which the Council assesses whether the true and fair view and understanding of the financial statements would be affected by the inclusion or exclusion of the information.

The accounting policies are the principle bases, conventions, rules and practices that specify how the effects of transactions and other events are reflected in the financial statements. Consistent policies will be applied both within the year and between years. Where policies have changed the reason and effect is disclosed. The policies are presented to the Council's Audit Committee for approval.

2 The change to an IFRS-based Code

The move to an IFRS-based Code has resulted in a number of significant changes in accounting practice. The key changes include:

- Grants and contributions for capital purposes are recognised as income immediately rather than being deferred and released to revenue to match depreciation;

- The main financial statements have changed, and there are additional requirements regarding the reporting of segments;

- There is a greater emphasis on component accounting and on derecognising parts of an asset that are replaced;

- Property leases are classified and accounted for as separate leases of land and buildings;

- Investment properties are measured at fair value, with gains and losses recognised in the surplus or deficit on the provision of services rather than through the revaluation reserve;

- Impairment losses are taken initially to the revaluation reserve to the extent that there is a balance on that reserve relating to the specific asset;

- A new classification of non-current assets held for sale has been introduced and specific criteria apply to this classification;

- All employee benefits are accounted for as they are earned by the employee, requiring accruals for items such as holiday pay;

- The definition of associates is based on the ability to control rather than actual control.

The transition to IFRS has led to changes in the presentation and amounts previously reported in the Council's 2009/10 published accounts in the above and other areas. The overall impact on the opening balances at 1 April 2009 and 2009/10 comparatives are summarised on Page 4 of the Accounts.

New standards that have come into effect on or before 1 January 2011 which are to be adopted in the 2011/12 version of the Code and will therefore apply to the 2011/12 financial year, together with an estimate of the financial effect of their adoption, if known, are disclosed in Note B on Page 150.

3 Changes in Accounting Policies and Estimates and Errors

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

4 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including those rendered by the Council's officers) are recorded as expenditure when the services are received, rather than when payments are made. One exception to this policy is the treatment of expenditure on utilities whereby only actual payments made in the year are included which nevertheless generally represents a full year's expenditure.
- Interest payable on borrowings (other than that capitalised on qualifying assets) and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Where the Council acts as an agent for another party, income and expenditure are recognised only to the extent that commission is receivable by the Council for the agency services rendered or the Council incurs expenses directly on its own behalf in rendering the services.

5 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010/11* (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on surplus assets in Property, Plant and Equipment.
- The cost of support services provided to the Council through the joint arrangement with RBT (Connect) Ltd is apportioned to services on a percentage basis.
- The costs of office accommodation is pooled and recharged to services on the basis of floor area occupied.

The first two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

6 Debtors

Debtors are recognised when the Council has delivered or tendered a supply of goods or services. They are usually recognised and measured at fair value when revenue has been recognised, except for a financial asset where they form part of the asset's carrying value (see section 22). Amounts paid in advance of the receipt of goods/services are recognised as a prepayment.

7 Creditors

Creditors are recognised when the Council receives a supply of goods or services. They are recognised and measured at fair value of the consideration payable except for a financial liability where they form part of the liability's carrying value (see section 22). If consideration is received but the revenue does not meet the revenue recognition criteria, a receipt in advance is recognised.

8 Tax Income (Council Tax, Residual Community Charge, National Non-Domestic Rates and Rates)

Council Tax

Council tax collection is an agency arrangement. Income shown within the Comprehensive Income & Expenditure Statement is the year's accrued income plus the Council's share of the Collection Fund surplus/deficit at the previous year end. The difference between this and the General Fund Council Tax income is taken to the Collection Fund Adjustment Account. Debtors are shown exclusive of the proportions attributable to major preceptors.

National Non-Domestic Rates (NNDR)

NNDR collection is an agency arrangement. No income is included other than the cost of collection allowance received together with any costs raised to taxpayers over and above the NNDR due. A creditor represents the amount collected on behalf of the Government but not yet paid over whilst a debtor represents the amount overpaid.

Residual Community Charge

Income adjustments are included within the Collection Fund; they are borne entirely by the Council and are excluded from the Collection Fund surplus/deficit.

9 Inventories

Inventories are measured at the lower of cost and net realisable value except where acquired through a non-exchange transaction when cost is assumed to be equal to fair value at acquisition date.

Inventories are measured at the lower of cost and current replacement cost where held for distribution at no charge or for a nominal charge.

The cost attributed to identified inventory is assigned using the first-in, first-out (FIFO) basis.

10 Work in Progress (Construction Contracts)

Where the Council acts as a contractor, if the outcome of a construction contract can be estimated reliably, the percentage of completion method is used to recognise revenue and expenses. Contract revenue is matched with the contract costs incurred in reaching the stage of completion, resulting in the reporting of revenue, expenses and surplus/deficit which can be attributed to the proportion of work completed.

If the outcome cannot be estimated reliably revenue is recognised only to the extent it is probable costs will be recoverable, and costs are recognised as an expense in the period incurred. When the uncertainties no longer exist, revenue and expenses are recognised using the percentage of completion method.

Should it become apparent that total costs will exceed total revenue the expected deficit on the contract is immediately expensed.

11 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

12 Provisions, Contingent Liabilities and Contingent Assets

Provisions

A provision is recognised when:
- there is a present obligation (legal/constructive) as a result of a past event
- it is probable a resource outflow will be required to settle the obligation, and
- a reliable estimate of the amount can be made.

For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at each reporting date and adjusted to reflect current best estimates. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

If some or all of the expenditure required to settle a provision is expected to be reimbursed (e.g. an insurance claim), this is recognised when it is virtually certain that if the obligation is settled reimbursement will be received. The reimbursement is treated as an asset but the amount recognised does not exceed the amount of the provision.

(a) Equal Pay

The Council has made a provision for the costs of settling claims for back pay arising from payments incurred before the Council implemented its equal pay strategy. The impact has been neutralised within the revenue account by capitalising the cost following the receipt of a Government capitalisation directive.

(b) Landfill Allowances

Allowances are recognised as current assets, their value being initially measured at fair value. Allowances are issued free by DEFRA and fair value is accounted for as a government grant.

As landfill is used a liability is recognised for actual usage and this is recognised as a provision. The liability is discharged by using allowances, paying a cash penalty or a combination and is measured at the best estimate required to meet the obligation.

Re-measurement of allowances is on a lower of cost and net realisable value basis. Where there is no evidence of an active market, both are estimated at nil.

Contingent Liability

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise

be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent liability is not recognised in the financial statements but disclosed as a note to the accounts. If it becomes probable that a resource outflow will be required for an item previously dealt with as a contingent liability, a provision is recognised.

Contingent Asset

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

A contingent asset is not recognised in the financial statements but disclosed as a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential. If it has become virtually certain an inflow will arise and the asset's value can be measured reliably, a debtor and related revenue are recognised.

13 Reserves

The Council sets aside specific amounts as usable reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain unusable reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and that do not represent usable resources for the Council – these reserves are explained in the sections relating to the relevant policies.

14 Government and Non-Government Grants

Government grants and third-party contributions, including donated assets are recognised as due when there is reasonable assurance that;

- the Council will comply with the conditions attached to them
- the grants and contributions will be received

Where conditions of grant remain outstanding which could give rise to grant being repaid, grant is carried in the balance sheet as grant received in advance.

Conditions are stipulations that give the grant funder or donor the right to the return of their monies if it is not used for the purpose specified.

Revenue grants or contributions are credited to the relevant service line within net cost of services if specific or to Taxation and Non-Specific Grant Income if general or non ring-fenced.

Capital grants are credited to Taxation and Non-Specific Grant Income as general grant, but then reversed out of the General Fund Balance in the Movement in Reserves Statement. Where capital grant has been recognised but has yet to be used to finance capital expenditure, it is credited to the Capital Grants Unapplied Account within reserves. Capital grant that has been used for financing purposes is transferred to the Capital Adjustment Account.

15 Non-current Assets – Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant & Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling, removing or restoring an asset where the Council has an obligation to do so and is required to make provision for these costs

Borrowing Costs - The Council has adopted a policy under IAS 23 'Borrowing Costs' to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. The change in policy has been applied from 1 April 2009. In implementing a policy of capitalisation of borrowing costs the Council has determined what it sees as a qualifying asset and what the borrowing costs are that are to be capitalised.

- Qualifying Assets – Assets that take a substantial period of time to get ready for their intended use or sale, where this would cause a significant balance of borrowing costs to accrue.
- Borrowing costs – Where the Council borrows to specifically fund a scheme the amount that is capitalised is the actual cost of borrowing less investment income. Where funds are borrowed generally a capitalisation rate is used based on the weighted average of borrowing costs during the period.

The Council only capitalises borrowing costs when in addition to the above it becomes probable that the capital expenditure will result in future economic benefits or service potential to the Council; and that the borrowing costs can be measured reliably.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition will not increase the cash flows of the Council. In the latter case, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair value, determined the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

Depreciated historical cost is used as a proxy for fair value for relatively short life assets such as vehicles, plant and equipment.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. In support of this the Council carries out an annual review of its assets for impairment. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains unless they reverse a previous revaluation or impairment loss in which case they are credited to the relevant service line within net cost of services.

Where decreases in value are identified, the revaluation loss is accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

<u>Impairment of Assets</u>

At the end of each reporting period an assessment takes place as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

<u>Disposals</u>

The carrying amount of an item is derecognised:

- on disposal through, for example, sale, donation granting of a finance lease or transfer , or
- when no future economic benefits or service potential are expected from its use or disposal as a result , for example, of it being abandoned, scrapped or decommissioned.

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Depreciation is not charged on Assets Held for Sale.

Assets held solely for capital appreciation purposes are reclassified as investment properties.

Non operational property, plant and equipment which do not meet the criteria for reclassification as either Assets Held for Sale or investment properties are held within property, plant and equipment as surplus assets. Surplus assets are carried in the balance sheet at their existing use value and revalued immediately prior to disposal if the current carrying value is materially different in order that the proper gain or loss on disposal can be determined.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of Non Current Assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives, the depreciable amount being an asset's depreciated historic cost or fair value at the start of the financial year. No depreciation is charged in the year in which an asset is first made ready for use. A charge is made in the year in which an asset is derecognised or classified as held for sale. An exception is made for assets without a determinable finite useful life (ie, freehold land and certain Community Assets) and assets that are not yet available for use (ie, assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the Council's valuer (Council dwellings 30 Years or Major Repairs Allowance (MRA) if MRA reasonably reflects the annual cost of maintaining property in its current condition over a thirty-year period, other buildings and non operational properties up to 100 years)
- vehicles – a reducing balance method over the useful life of the asset, as advised by a suitably qualified officer (Up to 10 years)
- infrastructure – straight-line allocation over 40 years
- plant, equipment and computers – straight-line allocation over the useful life of the asset as advised by a suitably qualified officer (plant and equipment up to 15 years and computers/office equipment up to 10 years).

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Componentisation is being introduced with effect from 1 April 2010 as assets are acquired, enhanced, replaced or revalued.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

16 <u>Charges to Revenue for Non-Current Assets</u>

Services, support services and trading accounts are debited with the following amounts to record the cost of holding Non Current Assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible Non Current Assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. This is known as the minimum revenue provision and the policy is detailed below. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the revenue provision in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

<u>Minimum Revenue Provision (MRP)</u>

Minimum Revenue Provision is a proper charge to the General Fund.

The Department of Communities and Local Government (CLG) has made Regulations that require Full Council to approve an MRP Statement in advance of each year. Detailed rules have been replaced by a single duty to charge an amount of MRP which the Council considers 'prudent'.

The Council approved the following MRP policy in relation to the financial year:

(a) The MRP charge in relation to borrowing for capital expenditure incurred prior to 2007/08 will be unaffected by the regulations;

(b) The MRP charge in relation to capital expenditure incurred since 2007/08 where the expenditure is funded by both supported and unsupported borrowing will be calculated using the expected useful life of the asset at the point the asset is brought into use; and

(c) The MRP charge in relation to capital expenditure incurred since 2007/08 where the expenditure is funded by a ‘capitalisation directive’ (e.g. equal pay) will be calculated on the basis of equal instalments over the specified period(s) set down within the regulations.

17 Leases and Lease-Type Arrangements

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Leases for land having an indefinite useful life are treated as operating leases.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

(a) Finance Leases

An asset held under a finance lease is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease’s inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the years in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the asset – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The apportionment is done in such a way as to produce a constant rate of interest on the outstanding liability in each period over the lease term

An asset recognised under a finance lease is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset’s estimated useful life.

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses arising on leased assets. Instead, a minimum revenue provision is made towards the deemed capital investment in accordance with statutory requirements and the Council’s policy for determining MRP. Depreciation, revaluation and impairment losses are therefore replaced by the revenue provision in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

(b) Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments

The Council as Lessor

(a) Finance Leases

Where the Council grants a finance lease over an asset, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- an amount to write down the net investment in the lease including any premiums received, and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are paid, the element for the charge for the acquisition of the interest in the property is used to write down the lease asset. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of Non Current Assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated from the Capital Adjustment Account to the General Fund Balance in the Movement in Reserves Statement.

(b) Operating Leases

Where the Council grants an operating lease over an asset, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

18 PFI and PPP Arrangements

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

PFI assets are initially recognised at their fair value when they are first made available for use (based on the cost to purchase the property, plant and equipment) balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. Initial direct costs of the Council are added to the

carrying amount of the asset. Any upfront contributions made by the authority to the PFI operator, either in the form of a cash lump sum or transfer of property that will not be used to provide services under the arrangement, are applied to write-down the PFI liability at the contribution's value agreed in the operator's financial model when the PFI asset is first made available for use.

PFI assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement

- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- payment towards liability – applied to write down the Balance Sheet liability due to the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- lifecycle replacement costs – these are based on the planned lifecycle replacement of major components within the PFI operator's financial model. These are recognised as additions to Property, Plant and Equipment when the relevant works are carried out. Differences between the actual amount or timing of the relevant works from that planned within the operator's financial model are adjusted for so that the gain or loss that arises is recognised over the period over which the Council benefits from the capital investment

19 Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received and expenditure incurred in relation to investment properties are credited/charged to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement.

Revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

20 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is

capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure is not capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired and any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

21 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset is charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

22 Financial Instruments

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and / or do not have fixed or determinable payments.

(a) Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are then measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the

amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

When the Council makes loans at less than market rates (soft loans) a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

(b) Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg, dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus/Deficit on Revaluation of Available-for – Sale Financial Assets line in the Comprehensive Income and Expenditure Statement. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive

Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses previously recognised in the Available for Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses)

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Instruments Entered Into Before 1 April 2006

Where the Council has entered into financial guarantees that are not required to be accounted for as financial instruments they are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

23 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave and paid sick leave, bonuses

and non-monetary benefits for current employees, are recognised as an expense in the year in which employees render service to the Council. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulating Compensated Absences Adjustment Account via the Movement in Reserves Statement.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis when the Council is demonstrably committed to either terminating the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Redundancy payments are charged to the relevant service line in the Comprehensive Income and Expenditure Statement.

Pension strain costs are charged to Non Distributed Costs. However, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. An appropriation is therefore made to or from the Pensions Reserve via the Movement in Reserves Statement to effect this adjustment.

Post Employment Benefits

Employees of the Council are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education
- The Local Government Pensions Scheme, administered by South Yorkshire Pensions Authority

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Children's and Education Service line in the Comprehensive Income and Expenditure Statements is charged with the employer's contributions payable to the Teachers' Pensions Scheme in the year.

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the South Yorkshire pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 5.5 % (2009/10 5.6%) (based on the indicative rate of return on high quality corporate bonds, including: UK Index Linked Bonds, UK Fixed Rate Bonds and Government Bonds). In determining these liabilities, an assumption has been made on the advice of our actuaries that 50% of employees retiring will take an

increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension

- The assets of the South Yorkshire pension fund attributable to the Council are included in the Balance Sheet at their fair value:

  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.

- The change in the net pensions liability is analysed into seven components:
  - current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited/credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
  - contributions paid to the South Yorkshire pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

- In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

24 Repayment of Debt – Metropolitan Debt

Principal repayments are based on a 10% Sinking Fund using a methodology prescribed in Statutory Instrument 1986 No. 437 and will be extinguished by 2020/21.

25 Value Added Tax (VAT)

VAT payable is included only to the extent that it is irrecoverable from HM Revenue & Customs, whilst VAT receivable is excluded from income. The net amount due from/to HMRC at the end of the financial year is included within debtors or creditors.

26 Events after the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect

Events taking place after the date the Strategic Director of Financial Services authorises the Accounts for issue are not reflected in the Statement of Accounts.

27 Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

28 Interests in Companies and Other Entities

Where the Council has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities this may require it to prepare group accounts. The definition of an associate has been widened and is based on the ability to control rather than actual control. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

B) Accounting Standards issued but not yet adopted

The 2011/12 accounts will be the first to reflect the requirements of FRS30 (Heritage Assets) and IPSAS 31 (Intangible Heritage Assets) to separately recognise Heritage Assets as a separate class of assets in the Balance Sheet.

Heritage assets are assets that are held by the authority principally for their contribution to knowledge or culture.

The Code will require that heritage assets are measured at valuation in the 2011/12 financial statements (including the 2010/11 comparative information).

The Council is currently in the process of quantifying the affect the new standards will have on the Balance Sheet and as such it is not possible to accurately estimate the effect this would have on the 2010/11 accounts at present.

C) Critical Judgements in applying Accounting Policies

In applying the accounting policies set out, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- The Authority had £1.95m deposited with Landsbanki Islands hf, an Icelandic banking entity which collapsed in October 2008. Whilst a decision by the Icelandic courts that the deposit has preferred creditor status is being appealed against legal advice supports the judgement that this status will be secured and that the full amount of the deposit will be repaid. The Authority also had £1.80m deposited with Heritable Bank plc (a UK subsidiary of Landsbanki Islands hf,) when it went into administration in October 2008. Repayments continue to proceed in an orderly manner in line with the original expectations that 79p – 85p in the pound will be recovered.

- The Council's decision on 23 February 2011 to bring the housing management function back under the direct control of the Council and consequent winding up of the company (2010 Rotherham) to whom it was outsourced, in our view, gives rise to a construction obligation for the assets and liabilities of the company to be recognised in the Council's single entity accounts. Accordingly the following amounts have been recognised in the Council's balance sheet at 31 March 2011:

  net trading liabilities of the company as at 31 March 2011 - £3.272m

  pension strain costs - £0.633m

  FRS 17 pension liability - £5.430m

D) Assumptions made about the future and other major sources of estimation

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Included in the Council's Balance Sheet at 31 March 2011 is an estimated pensions liability of £243.5m comprising the Council's estimated liability of £238.1m and 2010 Rotherham's estimated pension liability of £5.4m. Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used to determine pension fund liabilities, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates, indexation of pensions and expected returns on pension fund assets. Changes to these assumptions can have a material effect as illustrated by the fact the Council's estimated liability fell by £52.9m in 2010/11 as a result of the government's announcement that public sector pensions

would be up-rated at CPI rather than RPI with effect from 1 April 2011. A firm of consulting actuaries is engaged by South Yorkshire Pensions Authority to provide expert advice about the best assumptions to be applied based on information available each year end.

Additional Information

Audit Certificate

Glossary

KPMG Certification

GLOSSARY

This listing will help Members and other readers to understand the terminology used within the Statement of Accounts.

ACCOUNTING PERIOD

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

ACCRUALS

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed

ADDED YEARS

A discretionary award increasing the value of pensions for retiring employees aged 50 or over subject to specific conditions. Employers' must exercise this discretion in accordance with the national regulations and the Council's own policies.

ASSET

An asset is a resource controlled by the Authority as a result of past events from which future economic benefits or service potential is expected to flow to the Authority.

- A current asset is an amount which is expected to be realised within 12 months.
- A non-current asset is an amount which is expected to be realised after more than 12 months.

AUDIT OF ACCOUNTS

An independent examination of the Authority's financial affairs.

BALANCE SHEET

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

BORROWING

Government support for capital investment is described as either Supported Capital Expenditure (Revenue) known as SCE(R) or Supported Capital Expenditure (Capital Grant) known as SCE(C). SCE can be further classified as either Single Capital Pot (SCP) or ring-fenced.

BUDGET

The forecast of net revenue and capital expenditure over the accounting period.

CAPITAL ADJUSTMENT ACCOUNT

An account maintained to provide a balancing mechanism between the different rates at which assets are depreciated and are financed through the capital controls system.

CAPITAL CHARGE

A charge made to service revenue accounts to reflect the cost of Non Current Assets used in the provision of services.

CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

CAPITAL FINANCING

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

CAPITAL PROGRAMME

The capital schemes the Authority intends to carry out over a specific period of time.

CAPITAL RECEIPT

The proceeds from the disposal of land or other Non Current Assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government but they cannot be used to finance revenue expenditure.

CLAW-BACK

Where average council house rents are set higher than the government's prescribed average limit rent, used in the calculation of rent rebates, the percentage difference reduces the amount of rent rebate subsidy due to the authority, i.e. it is "clawed-back" by the government.

CIPFA

The Chartered Institute of Public Finance and Accountancy

COLLECTION FUND

A separate fund that records the income and expenditure relating to Council Tax and non-domestic rates.

COMMUNITY ASSETS

Assets that the Authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

CONSISTENCY

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

CONTINGENT ASSET

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's accounts.

CONTINGENT LIABILITY

A contingent liability is either:
- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities that local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

COUNCIL TAX

A banded property tax that is levied on domestic properties. The banding is based on assessed property values at 1 April 1991.

CREDITOR

Amount owed by the Authority for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

DEBTOR

Amount owed to the Authority for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

DEFINED BENEFIT PENSION SCHEME

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

DEPRECIATION

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Authority's Non Current Assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

DISCRETIONARY BENEFITS (PENSIONS)

Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Authority's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

DEDICATED SCHOOLS GRANT (DSG)

A ring-fenced grant for Schools paid by the Department for Education and Skills (DfES) to the Local Authority; it replaces the Schools Formula Spending Share (FSS).

EARMARKED RESERVE

A sum set aside in a reserve for a specific purpose.

EQUITY

The Authority's value of total assets less total liabilities.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

EXCEPTIONAL ITEMS

Material items which derive from events or transactions that fall within the ordinary activities of the Authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

EXPECTED RETURN ON PENSION ASSETS

For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

EXTRAORDINARY ITEMS

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Authority and which are not expected to recur. They do not include exceptional items, nor do they include prior period items merely because they relate to a prior period.

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

FEES AND CHARGES

Income arising from the provision of services e.g. the use of leisure facilities.

FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

This reserve has been created under the SORP 2007 to hold the accumulated difference between the financing costs included in the Income and Expenditure Account and the accumulated financing costs required in accordance with Regulations to be charged to the General Fund Balance.

FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

GENERAL FUND SERVICES

Comprises all services provided by the Council with the exception of services relating to the provision of local Council housing – which are accounted for in the Housing Revenue Account. The net cost of General Fund services is met by council tax, Government Grants and Business Rates.

GOING CONCERN

The concept that the Statement of Accounts is prepared on the assumption that the Authority will continue in operational existence for the foreseeable future.

GOVERNMENT GRANTS

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Authority. These grants may be specific to a particular scheme or may support the revenue spend of the Authority in general.

HOUSING BENEFITS

A system of financial assistance to individuals towards certain housing costs administered by authorities and subsidised by central government.

HOUSING REVENUE ACCOUNT (HRA)

A separate account to the General Fund, which includes the income and expenditure arising from the provision of housing accommodation by the Authority.

IMPAIRMENT

A reduction in the value of a fixed asset to below its carrying amount on the Balance Sheet.

INCOME AND EXPENDITURE ACCOUNT

The revenue account of the Authority that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

INFRASTRUCTURE ASSETS

Non Current Assets belonging to the Authority that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths and bridges.

INTANGIBLE ASSETS

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Authority's intangible assets comprise computer software licences.

INTEREST COST (PENSIONS)

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

INVESTMENTS

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investments for the long term can clearly be demonstrated or where there are restrictions as to

the investor's ability to dispose of the investment.

INVESTMENTS (PENSION FUND)

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

LIABILITY

A liability is a present obligation arising from a past event, the settlement of which is expected to result in an outflow of resources.

A liability is where the Authority owes payment to an individual or another organisation.
- A current liability is an amount which is expected to be settled within 12 months.
- A non-current liability is an amount which is expected to be settled after more than 12 months.

LIQUID RESOURCES

Current asset investments that are readily disposable by the Authority without disrupting its business and are either:
- Readily convertible to known amounts of cash at or close to the carrying amount; or
-Traded in an active market

LONG-TERM CONTRACT

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

MATERIALITY

The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

MAJOR REPAIRS ALLOWANCE

A revenue grant received as part of the Authority's Housing Subsidy used to finance major housing repairs.

MAJOR REPAIRS RESERVE

The Major Repairs Reserve (MRR) is a reserve established in 2001/02 to which the Authority's Major Repairs Allowance is transferred. The balance on the MRR is used to finance major housing repairs in future years.

MINIMUM REVENUE PROVISION (MRP)

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Authority.

NEGATIVE SUBSIDY

If the Subsidy Housing Revenue Account produces a result, which assumes that the Authority's income is higher than its expenditure, a "negative subsidy" situation arises. In this case the Authority must pay an amount equivalent to the deficit, from its Housing Revenue Account to the government.

NET BOOK VALUE

The amount at which property, plant and equipment are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

NET DEBT

The Authority's borrowings less cash and liquid resources.

NET EXPENDITURE

Gross expenditure less specific grants and income for charging for services.

NET REALISABLE VALUE

The open market value of an asset in its existing use less any expenses incurred in realising the asset.

NON-DISTRIBUTED COSTS

These are overheads for which no user now benefits and as such are not apportioned to services

NATIONAL NON-DOMESTIC RATES (NNDR)

The National Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by the government and multiplied by the assessed rateable value of the premises they occupy. It is collected by the Authority on behalf of central government and then redistributed back to support the cost of services.

OPERATING LEASE

A lease where the ownership of the fixed asset remains with the lessor.

PAST SERVICE COST (PENSIONS)

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

PENSION SCHEME LIABILITIES

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect valuation date.

PRECEPT

The levy made by precepting authorities by billing authorities, requiring the latter to collect income from Council Tax on their behalf.

PRIOR YEAR ADJUSTMENT

Material adjustments applicable to previous years arising from changes in accounting polices or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PRIVATE FINANCE INITATIVE (PFI)

A contract in which the private sector is responsible for supplying services that traditionally have been provided by the Council. The Council will pay for the provision of this service, which is often linked to availability, performance and levels of usage.

PROPERTY, PLANT AND EQUIPMENT

Tangible assets used by the Council in the provision of services that yield benefits to the Council for a period of more than one year.

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

PRUDENCE

Requires that revenue is not anticipated until realisation can be assessed with reasonable certainty. Provision is made for all known liabilities whether the amount is certain or can only be estimated in light of the information available.

PRUDENTIAL CODE

Under the prudential framework, local authorities make their own decisions how much and what capital investment to undertake, based on their judgement on affordability, prudence and strategic objectives. In making their decisions, finance teams are required to take account of the CIPFA Prudential Code.

RATEABLE VALUE

The annual assumed rental of a hereditament, which is used for NNDR purposes.

RELATED PARTIES

There is a detailed definition of related parties in FRS 8. For the Council's purposes related parties are deemed to include the Authority's members, the Chief Executive, its Directors and their close family and household members.

RELATED PARTY TRANSACTIONS

The Code of Practice on Local Authority Accounting requires the disclosure of any material transactions between the Authority and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

REMUNERATION

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits. Received other than in cash. Pension contributions payable by the employer are excluded.

RESERVES

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

RESIDUAL VALUE

The net realisable value of an asset at the end of its useful life.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment

REVALUATION RESERVE

Records unrealised revaluation gains arising (since 1 April 2007) from holding Non Current Assets.

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Legislation allows some items to be funded from capital resources that under IFRS and normal accounting practice would be charged to Surplus or Deficit on Provision of Services.

REVENUE SUPPORT GRANT

A grant paid by Central Government to authorities, contributing towards the general cost of their services.

STOCKS

Items of raw materials and stores an authority has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

TEMPORARY BORROWING

Money borrowed for a period of less than one year.

TRUST FUNDS

Funds administered by the Authority for such purposes as prizes, charities, specific projects and on behalf of minors.

USEFUL ECONOMIC LIFE (UEL)

The period over which the Authority will derive benefits form the use of a fixed asset.

WORK IN PROGRESS (WIP)

The cost of work performed on an uncompleted project at the end of the financial year.

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Slovak **Slovensky**

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Kurdish Sorani کوردی سۆرانی

ئەگەر تۆ یان کەسێک کە تۆ دەیناسی پێویستی بەیارمەتی هەبێت بۆ ئەوەی لەم بەڵگەنامە یە تێبگات یان بیخوێنێتەوە، تکایە پەیوەندیمان پێوە بکە لەسەر ئەو ژمارەیەی سەرەوەدا یان بەو ئیمەیڵە.

Arabic عربي

إذا كنت انت أواي شخص تعرفه بحاجة إلى مساعدة لفهم أوقراءة هذه الوثيقة، الرجاء الاتصال على الرقم اعلاه، أو مراسلتنا عبر البريد الإلكتروني

Urdu أرد و

اگر آپ یا آپ کے جاننے والے کسی شخص کو اس دستاویز کو سمجھنے یا پڑھنے کیلئے مدد کی ضرورت ھے تو برائے مہربانی مندرجه بالا نمبر پرھم سے رابطه کریں یا ھمیں ای میل کریں۔

Farsi فارسی

اگر جناب عالی یا شخص دیگری که شما اورا می شناسید برای خواندن یا فهمیدن این مدارک نیاز به کمک دارد لطفا با ما بوسیله شماره بالا یا ایمیل تماس حاصل فرمایید.